

GROUP MANAGEMENT REPORT

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FIVE-YEAR OVERVIEW

	2016 € million	2017 € million	2018 € million	2019 € million	2020 € million
Sales	6,471.0	6,788.9	6,908.1	7,471.3	7,426.3
Cost of goods sold	3,608.1	3,833.7	3,971.9	4,444.9	4,503.2
Functional expenses	2,250.6	2,366.6	2,403.0	2,551.1	2,428.1
Selling, general and administrative expenses	1,959.2	2,050.7	2,079.5	2,186.6	2,058.2
Research and development expenses	291.4	315.9	323.5	364.5	369.8
Interim profit	612.3	588.5	533.2	475.4	495.0
Operating profit	582.2	546.4	495.8	434.8	461.2
Profit before taxes	527.8	513.7	451.6	309.0	416.1
Consolidated net income	396.0	411.5	328.4	197.3	301.5
EBIT	597.4	574.9	520.6	388.8	481.8
EBITDA	975.0	985.1	952.5	1,079.1	1,103.2
Assets	7,981.8	8,525.9	9,224.4	10,088.4	9,720.1
Intangible assets (incl. goodwill)	623.3	757.0	818.3	854.5	831.8
Property, plant, and equipment	3,987.3	4,196.4	4,589.3	5,244.1	5,150.0
Other financial investments	50.3	62.0	63.3	68.0	65.1
Inventories	1,135.4	1,178.5	1,344.4	1,370.2	1,450.2
Trade receivables	1,089.1	1,148.0	1,141.8	1,233.5	1,178.9
Equity	3,172.0	3,436.4	3,649.0	3,720.6	3,641.0
Liabilities	4,809.9	5,089.6	5,575.4	6,367.8	6,079.1
Pension obligations	1,300.8	1,269.0	1,332.1	1,580.0	1,728.2
Financial liabilities	1,992.1	2,224.5	2,502.1	3,034.2	2,687.0
Trade accounts payable	442.9	483.9	532.1	506.8	438.2
Investments in property, plant, and equipment, intangible assets and financial investments incl. business acquisitions	806.7	969.2	921.6	894.6	782.8
Depreciation and amortization of property, plant, and equipment and intangible assets	377.7	410.2	431.9	599.2	621.4
Personnel expenditures	2,388.1	2,552.8	2,651.8	2,828.9	2,855.4
Employees (annual average)	56,849	59,851	62,675	64,210	64,217
Employees (as of December 31)	58,037	61,583	63,571	64,585	64,317

ABOUT THE B. BRAUN GROUP

BUSINESS MODEL

B. Braun is one of the world's leading manufacturers of medical technology and pharmaceutical products as well as a provider of medical services. As of December 31, 2020, 64,317 employees in 64 countries were working for the company. Our customers are providers of essential inpatient and outpatient health care services, in particular hospitals, medical practices, pharmacies, long-term care, and emergency medical services—but also patients and their family members directly. With high-quality system solutions, we continually set new, pioneering standards for the health care industry, and seek to protect and improve the health of people around the world.

The B. Braun product range comprises a total of 5,000 products, 95% of which are manufactured by the company. Our range of products includes products for infusion, nutrition and pain therapy, infusion pumps and systems, surgical instruments, suture materials, hip and knee implants, dialysis equipment

and accessories, as well as ostomy, disinfection and wound care products. With our services and consulting, we improve processes in hospitals, renal care centers and medical practices as well as make procedures safer and treatments more efficient. B. Braun also helps patients and their families prepare for home care. At the Aesculap Academy, we hold academic courses every year on the safe use of products as well as classic product training for hospitals and outpatient care. In the reporting year, we reached over 350,000 medical practitioners in around 2,600 courses.

2020, the year of the pandemic, particularly showed just how essential the B. Braun company is: our customers could depend on us to supply urgently needed medical devices. Social distancing requirements in many countries due to the pandemic greatly limited face-to-face customer interactions. However, in close collaboration with our customers, we swiftly found digital solutions to continue to supply and advise them during the crisis.

B. BRAUN THERAPEUTIC AREAS AND APPLICATIONS

Abdominal Surgery	Neurosurgery
Cardio-Thoracic Surgery	Nutrition Therapy
Continance Care and Urology	Orthopaedic Surgery
Diabetes Care	Ostomy Care
Extracorporeal Blood Treatment	Pain Therapy
Infection Prevention	Spine Surgery
Infusion Therapy	Sterile Goods Management
Interventional Vascular Therapy	Wound Management

We have divided our products and services into 16 therapeutic areas and applications managed across four divisions: B. Braun Hospital Care, B. Braun Aesculap, B. Braun Out Patient Market and B. Braun Avitum

B. Braun Hospital Care

The Hospital Care division considers itself a leading supplier for infusion, nutrition and pain therapy. We offer a complete portfolio of infusion therapy products, from single use products to complex medical device systems. Our products set standards for quality, efficiency and safety; with the Ecoflac® plus IV container, the Intrafix® Safety IV administration set and the Introcan Safety® IV catheter making us a market leader. Our products are supplemented by the ProSet portfolio of services, which uses customized sets to optimize the implementation of complex infusion systems. The Space and Compactplus product lines provide hospitals with infusion pump systems for various application scenarios, especially in ICUs, which means they were in high demand during the pandemic in 2020. The B. Braun Online Suite software solution allows the infusion pumps to be connected to hospital IT systems, setting the foundation for data-driven infusion management. In the area of pain therapy, the focus is on the practice and applications of regional anesthesia, where we are a world leader. Our innovative Onvision® Needle Tip Tracking makes the process easier for users and safer for patients. Our anesthesia and pain therapy portfolio is made complete with a range of intravenous drugs. With the successful fast-track registration of the sedative dexmedetomidine in Europe, we have been able to offer an alternative treatment for patients on mechanical ventilation. Good nutritional status in a patient is a prerequisite of any successful therapy. The B. Braun portfolio contains parenteral and enteral nutrition products as well as drink solutions, which are used for preclinical, inpatient and home treatment. In the reporting year, we launched a redesign of the Nutriflex® three-chamber bag to improve administration. The Remune™ oral nutritional supplement helps especially in the treatment of undernourished cancer patients. In the therapeutic areas of the Hospital Care division, our products are used in inpatient and outpatient settings around

the world. We are experiencing growing interest in our system partnership concept, where we work with our customers to improve processes in hospitals and along the entire clinical treatment pathway, creating long-term added value.

B. Braun Aesculap

The Aesculap division is a partner for surgical and interventional treatment concepts in inpatient and outpatient care. Aesculap focuses on the following therapeutic areas: abdominal surgery, cardiothoracic surgery, orthopedic surgery, spine surgery, neurosurgery, interventional vascular therapy and sterile goods management. We are a system partner in sterile goods management, combining consultation services to optimize processes with an extensive portfolio of surgical instruments and sterile container systems. Solutions for value retention and management, along with IT platforms for managing OR supply with sterile products, round out our service offering. In the abdominal and cardiothoracic surgery therapeutic areas, we are developing minimally invasive treatment concepts that—with the EinsteinVision® 3D camera system and specialized suture materials and consumables, for example—can lead to better treatment results. In interventional vascular therapy, innovative products such as the SeQuent® Please NEO drug-eluting balloon catheter or the Coroflex® ISAR NEO polymer-free stent make better treatment options possible for patients with vascular diseases. With customized sets, we aid hospital teams in making processes in the catheterization lab more efficient. In the orthopedic surgery and spine surgery therapeutic areas, treatment can be improved using intraoperative navigation, minimally invasive surgical techniques and material coatings that help prevent infection or allergic reactions. Product platforms such as Ennovate®, CoreHip® and Plasmafit® offer hospitals a broad spectrum in the treatment of orthopedic indications. For neurosurgery, our Yasargil aneurysm clips, Miethke shunts and a digital platform for the Aesculap Aeos® surgical microscope comprise a wide portfolio that helps neurosurgeons with their day-to-day challenges. Motor systems used in these therapeutic areas round out our complete package for performing surgical interventions. Process solutions for surgery planning, sterile goods processing

and digital data integration can improve process efficiency. We are also establishing quality-based concepts, such as for orthopedic and colorectal treatment pathways. This means process reliability and quality can be combined with better treatment results and economical solutions.

B. Braun Out Patient Market

The Out Patient Market division is focused on meeting the needs of patients with chronic diseases. Aside from hospitals, our customers include physicians in private practice, outpatient and inpatient care services, pharmacies, and patients and their families. The division offers products and services in the therapeutic areas of hygiene management, continence care and urology, wound management, ostomy care and diabetes management. During the pandemic in 2020, the demand for hygiene management products was especially high, and we were able to consistently supply our customers with products for hand and surface disinfection as well as with surgical and examination gloves. In the therapeutic area of continence care and urology, we develop urostomy products and innovative catheters, such as the easy-to-use disposable catheters in the Actreen® series. The products in our wound management range are designed to take care of surgical, acute and chronic wounds. B. Braun's sophisticated range of products for slow-healing wounds aids in the natural wound healing process in an individualized and stage-specific way. Our holistic approach to consultation and support combines high quality with cost-effectiveness.

B. Braun Avitum

B. Braun's Avitum division is one of the world's leading providers of products and services for people with chronic and acute kidney failure. As a system partner in extracorporeal blood treatment, B. Braun Avitum focuses on three areas: hemodialysis, acute dialysis and apheresis. With products and services along the entire value chain that combine with the complete B. Braun portfolio, we make it possible to provide comprehensive care to patients with kidney failure. Locally adapted treatment concepts help us optimally balance first-class care and affordability, enabling us to make necessary dialysis treatments accessible to an increasing

number of people around the world. We operate a network of more than 360 renal care centers in Europe, Asia-Pacific, Latin America and Africa, providing care for over 30,000 patients. At our clinics, medical practitioners are available to advise dialysis patients. We are striving to consolidate our market position with the goal of high product quality and availability as well as an extensive program of user training, technical support and IT solutions.

CORPORATE GOVERNANCE

The higher-level family-owned holding company for strategic management includes the Group's accounting, controlling, treasury, tax, legal, internal audit, corporate human resources and corporate communications departments. This family-owned holding company constitutes the link between the family and the company. Under the family-owned holding company, B. Braun SE is the operational parent company that directly or indirectly holds the shares in B. Braun Melsungen AG, Aesculap AG and B. Braun Avitum AG. The corporate bodies of B. Braun SE are the Management Board, the Supervisory Board and the Annual Shareholders' Meeting.

The members of the Management Board have clearly assigned spheres of responsibility and are jointly responsible for the company's success. As of April 1, 2020, Dr. Stefan Ruppert, as a deputy member of the Management Board, assumed responsibility for the human resources and legal departments, also taking the role of Director of Labor Relations from Anna Maria Braun. After 32 years at B. Braun, Caroll H. Neubauer retired on August 31, 2020. He was first appointed to the Management Board as Director of Legal Affairs in 1991. From 1996 to 2020, he was in charge of B. Braun's business affairs in North America. The new CEO of B. Braun North America is Dr. Jean-Claude Dubacher. On the Management Board, this region is overseen by Anna Maria Braun.

The Supervisory Board consists of 16 members, half of whom are selected by the company's shareholders and the other half of whom are elected by the employees. Committees have been established to

efficiently support the work of the Supervisory Board. The Human Resources Committee is responsible for matters such as the Management Board members' employment contracts and compensation. The Audit Committee monitors the company's systems of internal controls, the integrated compliance management system, accounting processes and financial statement audits. Prof. Dr. h. c. Ludwig Georg Braun, who managed the company for 34 years, has served as Chairman of the Supervisory Board since 2011.

Through its subsidiaries and holdings, B. Braun operates in 64 countries. The B. Braun SE Group includes 290 (previous year: 292) fully consolidated companies. Of the holdings, 26 (previous year: 29) are consolidated using the equity method of accounting. Major manufacturing locations are located in Melsungen, Berlin, Dresden, Glandorf, Roth, Tuttlingen (Germany), São Gonçalo (Brazil), Suzhou (China), Santo Domingo (Dominican Republic), Nogent (France), New Delhi (India), Mirandola (Italy), Tochigi (Japan), Penang (Malaysia), Nowy Tomyśl (Poland), Timișoara (Romania), Crissier, Escholzmatt, Sempach (Switzerland), Rubí (Spain), Gyöngyös (Hungary), Allentown, PA, Daytona Beach, FL, Irvine, CA (US), and Hanoi (Vietnam).

Key performance indicators for strategic management purposes include sales, EBITDA and defined balance sheet ratios. The key performance indicators interim profit and EBIT are primarily used to manage operations. In addition, we evaluate the development of working capital based on days sales outstanding (DSO), days payables outstanding (DPO) and coverage in weeks (CIW).

Our Code of Conduct has defined how we conduct ourselves when doing business since 1996. For us, corporate governance and compliance are not merely obligations but a self-evident prerequisite for sustainable management. The legal and ethical conduct of our employees is central to our value system. Compliance with national and international regulations regarding product registration, production validation and product safety is an important obligation. B. Braun has a global compli-

ance management system that, in addition to compliance with the law, includes ethical values such as fairness, integrity and sustainability. A supervisory Group Compliance Office and local compliance officers ensure that all employees conduct themselves in accordance with uniform standards.

GROUP STRATEGY

The strategic period that started in 2015 ended in the reporting year. During this period, we resolved to increase sales by 5 to 7 percent every year and to improve our EBITDA margin (2015: 14.3 percent). In addition, we sought to further increase profitability through process optimizations and active cost management. Our extensive investment program is intended to be financed predominantly from our own earning power.

With annual sales having increased by an average of 5.2 percent through 2019, we are within our strategic expectations. Due to exchange rate trends and the pandemic, we were unable to increase sales in the reporting currency in the fiscal year. This reduces average annual sales growth for the most recent strategic period to 4.1 percent. We were able to consistently maintain our EBITDA margin above 14 percent, with the exception of 2018 (13.8 percent), and achieved 14.9 percent by the end of the strategic period. Process and cost optimizations have had a positive effect, whereas increases in production costs of individual plants put strain on our earnings. About 80 percent of our extensive investment program has been financed with our own funds. Despite an increase in absolute debt of approximately € 1 billion compared to 2015, we have been able to decrease our leverage ratio from 2.1 in 2015 to 1.8 in 2020. Overall, this means we have been able to achieve the key goals from our 2020 strategy. We continue to see the potential for earnings optimization, for example, by downsizing corporate structures, getting new products to market sooner and reducing startup costs for new production facilities. Nevertheless, what has been accomplished is a solid foundation for the next strategic period.

In the reporting year, we developed our strategic framework, called B. Braun — the next decade, for the period up to 2030. New technology and the digital transformation will be crucial when it comes to shaping the world of medical technology and the health care industry of tomorrow. This is why we will continue to drive digitalization forward and make key technologies, such as robotics and biotechnology, useful both for us and for our customers. Digital systems help us optimize our structures and accelerate processes. Using a smart system of intensive care therapies, digital solutions for the operating room and an optimized orientation for our Provider and Home Care business, we seek to support our customers even better—medical practitioners most of all. We leverage our strength and expertise to develop treatment systems that offer them added value, and protect and improve the health of people around the world. All the while, our values—innovation, efficiency and sustainability—continue to shape the way we do business. At the same time, we promote a culture characterized by trust, accountability and diversity.

As a family-owned company, our focus is on the long term and we are also looking to grow sustainably in the next decade. This is based on a financial framework that we have defined for an initial period up to 2025: Our sales should grow 5 to 7 percent every year and our EBITDA margin should be above 15 percent. We will also continue to invest heavily in research and development. To achieve the goals in our strategic framework, an additional step will see divisions, central services and national organizations drawing up detailed development plans with clear milestones.

In conjunction with the new strategy, we already began adapting our corporate structure on January 1, 2021. By consolidating the divisions B. Braun Avitum and Out Patient Market into the division Avitum, we will bundle our strengths in outpatient nephrology and cardiology as well as in patient care for people with chronic conditions. We also plan to further optimize our global sales organization to support our customers even faster and more purposefully.

SECURING THE FUTURE

In 2020, we again invested over € 1 billion in new production as well as in research and development projects, to grow and secure our business activities. Our German locations received around 25 percent of this investment.

We invested € 369.8 million (previous year: € 364.5 million) in research and development. Additions to financial assets and property, plant, and equipment (including capitalized development expenditures) for the reporting year amounted to € 782.8 million (previous year: € 894.6 million).

Research and development

Research and development activities in the B. Braun Group are concentrated in the centers of excellence (CoEs), where research, development, production and registration departments for specific therapeutic areas are combined and closely coordinated. Our CoEs are located in Melsungen, Berlin, Tuttlingen (all in Germany), Boulogne (France), Penang (Malaysia), Sempach (Switzerland), Rubí (Spain) and Allentown, PA (US).

The Hospital Care division focuses its research and development on improving safety for patients and users. We develop ready-to-use versions of drugs in infusion containers and prefilled syringes that reduce user error, protecting both nurses and patients. We also continue to improve our products for vascular complete access to make their use even safer. With our new product developments, we are pursuing the goal of optimizing hospital processes and ensuring economical health care, which is why we are working on networked solutions for integrating and connecting our new generation of infusion pumps, Space^{PLUS}, into hospital ecosystems. Standard WiFi functionality allows for seamless treatment documentation in electronic patient files. The pumps on the hospital network allow continuous access to central drug libraries. Dose recommendations tailored to the patient are precisely administered to efficiently minimize potential medication errors.

The Aesculap division combines internal and external innovations to create added value for core surgical and interventional processes. We have established research structures that ensure continuous exchange with customers from the early development stage on, which can lead to faster solutions. Our customers benefit from products that facilitate high-quality, safe, ergonomic use and help to optimize hospital processes. In the 2020 reporting year, we were able to bring key development projects to completion. These include additively manufactured implants such as 3D-printed cages or hip socket replacements, whose coated dual mobility inlays redefine the concept of corrosion prevention. Our Ennovate spinal system is a platform that covers the entire spectrum of treatment options. We are utilizing the potential of digitalization with the Aesculap Aeos® surgical microscope for robot-assisted 3D visualization, which is also the starting point for other future areas of application. By networking our systems, we are setting the groundwork for data-driven therapeutic approaches and customized, cross-sector treatment concepts.

The Out Patient Market division continues to steadily develop product ranges in the therapeutic areas of wound care, continence care and urology, and ostomy care, with a focus on greater tolerability and environmental friendliness. One example is our

catheters: Patients with a urinary tract condition use a total of about 2,000 catheters per year, generating a substantial amount of plastic waste. The improved Actreen® urinary catheter reduces the impact on the environment: It is lighter than comparable products, is PVC-free, has minimal packaging and is 100 percent recyclable. This reduces waste by a factor of 2.4. With our services, we also look out for innovative solutions that make life easier for both nurses and their patients: Even before the pandemic, we were working with comprehensive approaches to improving hygiene in hospital processes and actively preventing post-surgical infections. In the reporting year, we improved on these approaches and now offer detailed hygiene analyses of surgery processes to complement our customized product range.

The goal of the research and development activities at the B. Braun Avitum division is to improve treatment quality and efficiency in extracorporeal blood treatment. In 2020, we quickly developed innovative therapeutic approaches for treating COVID-19 patients, since the kidneys are the second most commonly affected organ in severe cases. For acute dialysis, an enhanced treatment method combines renal replacement therapy with the elimination of carbon dioxide from the patient's blood (OMNiset® ECCO2R). This reduces stress on the patient caused by mechanical ventilation, while also allowing the

lungs to be in a partial resting state. Since May 2020, we have been able to offer citrate anticoagulation for an acute treatment method (CVVHDF). In 2020, we also continued our research into sustainability and digitalization. New control technology enhances the networking of reverse osmosis systems for dialysis water treatment.

The "Internet of medical things" (IoMT) will bring about more and more online medical technology in the future. Across divisions, we continued to work on our digital health cloud platform, where medical devices like the Space^{PLUS} pump system or the Aesculap Aeos® digital surgical microscope are connected to online applications, to not only store and analyze data, but also optimize logistics and treatment processes. Data protection and secured access concepts play an important role here. We will actively participate in this development using new, digital processes in the areas of customer relationship management (CRM) and product lifecycle management (PLM). At the same time, we are working on standardizing and further digitalizing our processes in conjunction with the continued development of our ERP system (S4 Hana).

Our B. Braun Innovation Hub bundles, structures and manages our innovation approaches across the Group. It is a network of employees across all areas of the company who coordinate innovation projects with university research groups, hospitals and startups. The Innovation Hub provides ongoing information on the latest ideas and technologies, and assists the evaluation of these ideas. Through partners such as the German investment firm High-Tech Gründerfonds, Trendlines out of Israel and German Accelerator Lifescience in the United States, B. Braun receives a continuous influx of ideas and startups from medical technology innovation centers worldwide. Our partners focus on various developmental levels of ideas development, from the seed phase to exit. The Accelerator program offers customized support to selected startups in the form of expertise, market access and financing. B. Braun and the startup founders test the ideas for customer demand, technical feasibility and market prospects. The goal is to translate innovative ideas into successful business models more quickly and present them as market-ready solutions.

Investments

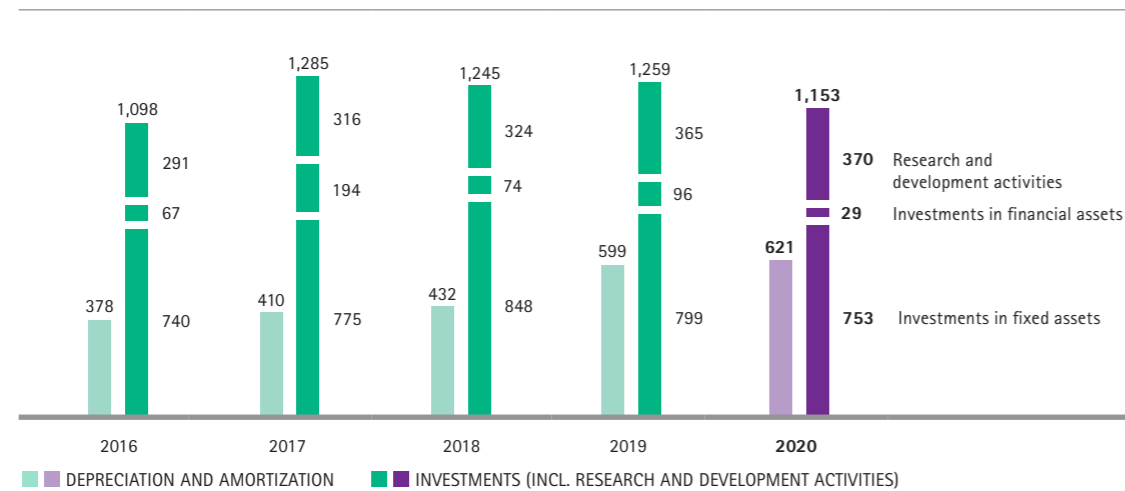
In the 2020 reporting year, total additions to property, plant, and equipment, intangible assets and financial assets, as well as additions to investments in associated companies and acquisitions of fully consolidated companies amounted to € 782.8 million (previous year: € 894.6 million). Of that total, € 113 million (previous year: € 70 million) was in additions of rights of use under IFRS 16 for the extension of existing as well as signing new contracts. Investments were offset by depreciation and amortization totaling € 621.4 million (previous year: € 599.2 million).

The Hospital Care division continued expanding production capacity in Gyöngyös (Hungary). In Berlin (Germany), expansion of infrastructure and production capacity was completed. In the United States, extensive investments were made in the Allentown, PA and Daytona Beach, FL locations, expanding production capacity. Our investments in the Irvine, CA plant also allowed us to complete the changes mandated by the FDA in 2017, restoring full production capacity at this location. Expansion of capacity in pharmaceuticals as well as for intravenous sets, intravenous access products and other accessories continued worldwide. In Spain, the Aesculap division completed the automation of its closure technologies manufacturing. The expansion of the cleanroom in Tuttlingen (Germany) continues as planned. In Midrand (South Africa), construction of a new plant for products in the Out Patient Market, Hospital Care and B. Braun Avitum divisions were very near to completion. At the location in Sempach (Switzerland), construction of a new plant for producing disinfection products started in May. We continued to optimize our global network of renal care centers in the reporting year, divesting our centers in Poland and expanding existing centers. In selected countries, we have constructed or acquired new centers. At the production location in Spangenberg (Germany), we are investing in an optimized factory concept.

Investment commitments in the amount of € 357.8 million had already made as of the reporting date. These investments are largely attributable to ongoing replacement and expansion investments in the above-mentioned locations.

INVESTMENTS IN FINANCIAL ASSETS, PROPERTY, PLANT, AND EQUIPMENT, AND RESEARCH AND DEVELOPMENT

In € million



ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

Performance of the global economy¹

The global economy is in a recession due to the COVID-19 pandemic. The gross domestic product (GDP) in many countries shrank considerably in the first half of 2020 while unemployment rose. Government intervention, however, prevented unemployment from rising even more. Temporary trade and investment restrictions were put in place and some border closures occurred, which hampered global trade. Commodities prices also sagged. Global GDP in Q1 2020 fell by an estimated 3 percent. In China, where the pandemic originated, economic activity in Q1 slowed by 10 percent compared to the same period in 2019. Among the top national economies, those in Europe experienced a greater drop in economic activity than the United States or Japan due to stricter measures that were enacted earlier. The crisis has laid bare the vulnerability of domestic output from the sourcing of inputs from geographically distant providers, above all for complex global value chains.

In Germany, measures taken to contain the pandemic in the spring of 2020 resulted in a significant downturn in economic activity, though reduced working hours and fiscal stimuli produced a stabilizing effect. The supplemental budget for 2020 passed by the federal government in March of that year totals € 156 billion and provides for an additional expenditure of € 123 billion. The governing coalition also decided on the basic points of an economic stimulus and crisis management package in early June 2020 that provides for additional expenditures and fiscal measures. Although Q3 showed some recovery, GDP for the entire year of 2020 fell by 5.0 percent.

CHANGE IN GROSS DOMESTIC PRODUCT

in %

	2019	2020
Europe	1.6	-7.0
France	1.5	-9.8
Germany	0.6	-5.0
Great Britain	1.5	-9.8
Italy	0.3	-10.6
Poland	4.1	-3.6
Russia	1.3	-4.1
Spain	2.0	-12.8
North America	1.9	-4.9
Canada	1.7	-7.1
USA	2.2	-4.3
Asia-Pacific	4.6	-2.2
China	6.1	1.9
India	4.2	-10.3
Indonesia	5.0	-1.5
Japan	0.7	-5.3
Malaysia	4.3	-6.0
Latin America	-0.2	-8.1
Argentina	-2.1	-11.8
Brazil	1.1	-5.8
Chile	3.3	-8.2
Mexico	-0.3	-9.0
Africa and the Middle East	2.3	-3.6
Kenya	5.4	1.0
South Africa	0.2	-8.0

The transition phase for the United Kingdom's exit from the European Union (EU) was complete at the end of the reporting year. The parties signed a cooperation agreement, which provisionally entered into force on January 1, 2021, including a free trade and security agreement that generally maintains their economic relationship. However, the start of 2021 saw new customs regulations that resulted in

significant delays in the cross-border exchange of goods. The pandemic struck the countries of Europe to different degrees at different times and substantial measures were taken at the national and European levels to contain the virus. This led directly to production losses of 25 to 30 percent compared to times of normal economic activity, with the service industry being hit the hardest. At the start of the lockdown, GDP in Q1 2020 fell 3.6 percent compared to the previous quarter. The European Central Bank (ECB) responded with measures to shore up lending by banks and maintain liquidity. While several European nations did show recovery trends in Q3 2020 compared to the previous quarter, GDP in Europe over the entire reporting year still decreased 7.0 percent.

In Russia, businesses suffered from the prolonged coronavirus lockdown and the treasury has hit by low oil prices. In April 2020, GDP shrank 28 percent compared to the same month of the previous year. The shutdown of businesses and the decline in oil price resulted in a decline in economic output of around \$ 33 billion. Although real wages rose about 6 percent in January and February, many people lost their jobs when the economy went into lockdown. Foreign capital is currently only trickling into Russia, and the country's foreign trade also dropped off significantly.

The pandemic has put tremendous pressure on the US economy. Demand for goods and services was swiftly reduced to the essentials. A state of emergency was declared in March 2020, with businesses being supplied with liquidity to prevent closure. Unemployment rose and was on target for the 20-percent mark at the end of April 2020. Since mid-March, 26.5 million people had lost their jobs, bringing the total number of registered unemployed to over 30 million. GDP fell 9 percent in Q1 compared to the previous year. Investments were put on hold in most sectors, with the exception of online retailers and medical product manufacturers. Government-ordered closures of retail stores, restaurants and recreational facilities led to a plunge in

fixed trade volume, intensified by the population's declining purchasing power. Politically, 2020 was characterized by the presidential election. The previous administration's refusal to accept the results of the election led to great uncertainty, though the domestic situation calmed when the new government formally took office in January 2021.

The Asia-Pacific region has gained economic clout on the world stage in recent decades and is the most dynamic region on the planet. In the face of a difficult global outlook due to the coronavirus, China utilized extensive fiscal and monetary instruments to support businesses with extra liquidity and preserve jobs as well as encourage consumer spending from its population. After a difficult start in 2020, China's industrial production rebounded by 3.9 percent in April compared to the same month of the previous year, exceeding expectations. However, the first four months of 2020 saw a total of 10.4 percent less investment in assets compared to the same period the previous year. Imports in April 2020 also fell 14.2 percent compared to the same month of the previous year. Despite this, China's economy was able to recover over the course of 2020, achieving an overall increase in GDP. Japan's economy was greatly impacted by the pandemic, most notably with a double-digit drop in GDP from March to June. Multiple lockdowns and entry restrictions caused domestic and foreign demand to fall considerably. Production, deliveries, investment propensity and consumer spending all decreased in 2020. Industrial companies recorded their biggest drop in orders in seven years. India's foreign trade also felt the effects of the pandemic. As early as March, imports tumbled by 29 percent and exports by 35 percent compared to the same month of the previous year. Due to the low demand for consumer and manufactured goods, inventories in many industries accumulated and capacity utilization in the manufacturing industry decreased. In mid-May 2020, the government proposed a stimulus and financial package totaling € 250 billion, primarily to support microenterprises as well as small to medium-sized enterprises with programs such as soft

¹OECD Economic Outlook, June 2020 and German Council of Economic Experts Economic Outlook for 2020 and 2021

loans. The package also focused on cash and in-kind transfer benefits for low-income social groups.

In Latin America, a study by the UN Secretary-General's Department of Economic and Social Affairs predicted declining incomes on average, continuing inequality and a rise in poverty, coupled with renewed financial instability, growing political uncertainty and a reduction in global trade. In Brazil, unemployment rose significantly despite government aid measures. A high level of uncertainty put a lasting strain on the investment climate. Restrictions due to coronavirus predominantly affected businesses in the service industry, which make up over 70 percent of Brazil's economic output. In the industrial sector, over 80 percent of businesses recorded sales losses due to a lack of demand. An unfavorable exchange rate also raised the prices of the most commonly imported capital goods. The pandemic hit Mexico's economy with a production halt in critical industries, lower demand from abroad, a lack of consumers for its vital tourism industry and low oil prices. The decline in industrial production of 4.9 percent in March 2020 would herald the country's deep recession. With support for the economy nowhere in sight, businesses were forced to lay off vast numbers of workers. The recession that had been dominating Argentina since mid-2018 continued in 2020, and it was exacerbated by the pandemic. How the economy will trend critically depends on whether the new government is able to renegotiate the national debt.

The economic impact of the pandemic has been enormous for many African countries and the financial leeway for economic countermeasures is marginal. South Africa responded early to the pandemic but nevertheless recorded a deep decline in GDP in the first half of 2020. Bailout packages and slashes in interest rates corresponding to around 10 percent of GDP are aimed at supporting the economy. Compared to South Africa, Kenya's lockdown was mild, with parts of the economy able to remain active, though heavy national debt meant the government lacked the funds for extensive stimulus programs. Previous government measures comprised tax breaks and loan guarantees for businesses. The national economies in the Middle East

and southwestern Asia are becoming increasingly unsteady and the pandemic could exacerbate the already serious crisis in some countries. Even before this global state of emergency, the region was struggling with numerous problems: Corruption, high unemployment with a rapidly growing population, war and political tension have compounded poverty and underdevelopment in most countries. Economic power fell by more than 10 percent in 2020.

Performance of the health care industry

In the reporting year, the health care industry was one of the hardest hit by the pandemic. Acute treatment of COVID-19 patients pushed hospitals around the world to the breaking point. At the same time, elective surgeries had to be postponed or even canceled, further straining the already difficult financial situation of many hospitals, since a large part of these surgeries are a critical component of covering costs. Several countries enacted different support programs to prevent hospitals from becoming insolvent. The pandemic also highlighted the regional differences in the availability of medical care. Above all, the intensive care of COVID-19 patients challenged health care systems around the world. Manufacturers of medical supplies, medical devices and drugs were also heavily impacted by the pandemic, with increased demand for products used to treat COVID-19 forcing a ramp-up in production capacity. Supplying the resources necessary for this effort was challenging, as numerous global supply and value chains were interrupted by temporary export restrictions (including for personal protective equipment [PPE]). After the initial weeks of the pandemic, many governments took swift action to strengthen local production capacity and build up emergency supplies. The effects of the pandemic on the future structure of global value chains in the health care industry cannot be assessed in full at this time. At the same time, manufacturers of products for elective surgeries (such as hip and knee implants) experienced considerable decreases in sales, resulting in production stoppages, reduced working hours and layoffs. A sustained recovery is only expected once the pandemic is over. For pharmaceutical manufacturers and biotech companies worldwide, the development of

vaccines against COVID-19 was one of the biggest challenges. At the end of 2020, the first vaccines were administered following conditional approval in compliance with regulatory agencies. The largest global vaccination campaign in history is expected to continue through to 2022 due to vaccine availability and impending logistical challenges.

Aside from managing the pandemic, the digitalization and outpatientization of treatment pathways are the major factors facing the health care industry. Medical advancements and persistent cost pressure are pushing more and more treatments from the inpatient to the outpatient setting, and hospital stays continue to get shorter. Digitalization will promote this trend and open up opportunities, in rural areas using telemedicine, for example, to ensure good medical care. For several years now, the world has seen different initiatives and investment programs put into motion that, in some countries (such as in Scandinavia), have already been implemented. Further implementation was slowed somewhat in 2020 due to a shift in priorities from the pandemic. At the same time, the pandemic made it clear how important efficient and digital processes are in health care. This can lead to accelerated implementation in the medium term.

Germany's health care industry proved itself resilient even in the crisis of 2020. Care for COVID-19 patients was ensured while government support measures were able to stabilize hospitals financially. The Future of Hospitals Act, passed by the Bundestag in September 2020, provides for a total of € 4.3 billion to expand digital infrastructures in hospitals. In addition to digitalization, the shortage of skilled labor poses a serious challenge in this industry. Making medical professions more attractive seems to have been met with broad political and social approval due to the coronavirus, though specific and lasting measures have proven elusive thus far. The continued rising demand for medical devices from Germany kept growth steady for manufacturers. Especially in crisis mode, German manufacturers found success thanks to supply capability and consistently high quality. The debate that has started about the local manufacturing of medical care products can strengthen Germany as a loca-

tion for the pharmaceutical and medical technology industries.

Europe's health care industry was also able to take advantage of the opportunities digitalization revealed in the reporting year. France pursued numerous projects to increase the use of digital services in the health care industry. Prior to the pandemic, the government had estimated a total of € 500 million to digitalize the country's health care industry by 2022. In mid-July 2020, it presented a package of measures totaling over € 6 billion in investment funds for hospitals. In the United Kingdom, billions in government spending on new hospitals expanded the country's health care industry. Currently, however, the pandemic has highlighted a gap in intensive care facilities. The market for eHealth solutions is growing, since the government is increasingly establishing the necessary parameters for innovative enterprises and is forcing digital solutions for health care. Construction of a total of 31 planned municipal hospitals around the country is progressing well. With the outbreak of the virus, the completion of ongoing projects was given increased priority. These projects are being implemented as public-private partnerships. The United Kingdom's exit from the EU poses challenges to the health care industry as well. At the moment, the effects of Brexit on the country's health care industry are manageable due to numerous transitional arrangements. While a new national system for approving medical devices and drugs may be geared toward the EU, manufacturers still need to be prepared for increased regulatory burden. Poland's health care system continues to be underfunded, with European funding being a critical driver of growth in the industry, aiding in the purchase of new equipment as well as in the construction of new hospitals. The bulk of medical technology used in Poland is imported; the percentage of imports is estimated to be over 95 percent. Poland's government is firmly pushing the digitalization of the country's health care forward. It considers this a major opportunity for a system suffering from not just a lack of funding but, more than anything, a lack of doctors. Sick leave forms and prescriptions are already issued electronically. Russia's basic medical care reform and its national project "Health" are proceeding de-

spite the pandemic, with money being spent on the construction of hospitals and the manufacture of medical technology. Between January and April 2020, the manufacture of X-ray, rehabilitation and diagnostic equipment rose 50.7 percent compared to the previous year's period, to around € 111 million. The manufacture of medical instruments and devices grew between January and April 2020 by 11.8 percent compared to the previous year's period. To manufacture medical technology and drugs to fight COVID-19, the government temporarily re-appropriated funds intended for upgrading basic services to speed up the manufacture of ventilators, PPE and vaccines. This has resulted in a delay in the planned renovation of hospitals. In general, Spain has a well-equipped health care system. The public sector represents € 74 billion in health spending per year, the private sector another € 31 billion. The two combined represent 9 percent of the country's GDP. The government that took office in January 2020 seeks to upgrade Spain's health care system, with a focus on more modern medical technology and digitalization. Special attention is being paid to efficient, safe technology with proven benefits.

The topic of telemedicine and eHealth was also driven forward in North America's health care industry. The health care industry in the United States experienced increased appreciation after COVID-19 laid bare the system's deficiencies. The country's regulatory authority, the FDA, has issued a series of emergency approvals since the start of the crisis, resulting in novel concepts for ventilators, test kits and test vaccines coming to market quickly. Duty reliefs were enacted for certain medical products. The field of telemedicine saw dynamic development: Under the latest amendments, patients are not required to pay out of pocket for virtual consultations or coronavirus tests during the crisis. Polls are suggesting a permanent shift, with a clear majority of US users of telemedicine services expressing high satisfaction. With executive orders such as "Buy American", the US administration also seeks to reduce the nation's dependence on imported consumables, medical technology and pharmaceuticals.

In the Asia-Pacific region, the health care industry grew substantially in the reporting year due to an aging population, growing prosperity and the associated increase in health awareness. China is the most populous country in the world, with a rapidly

increasing percentage of elderly people. After the country had spent several years relying on cooperation with the private sector to upgrade its health care industry, China is currently about to change its strategy. Legal regulations, like those on volume-dependent public procurement, are attempting to significantly drive down medical technology prices, which primarily impacts foreign manufacturers. Chronic diseases account for 87 percent of all deaths in the country. To better utilize resources and improve national health care, the government is now relying on the expansion of IT infrastructure in the health care industry, on digital aids, online platforms for eHealth, and increasingly on the use of big data and artificial intelligence (AI). The pandemic has only sped up the trend toward digital health. Statista Research Development estimated China's online health care industry to be over € 3 billion in 2020, even before the outbreak of COVID-19. This can reach patients in rural areas and the capacities of specialized hospitals can be better utilized. The government has also announced more investments in digital hospital infrastructure. The first legal foundations for reimbursing or partially reimbursing health care services provided online as part of China's basic health insurance have already been laid. In the future, even more digital services will be reimbursed. The possibilities arising out of digital health are enormous, especially for large insurance companies, which have access to large quantities of patient data and dominate the traditional insurance business of risk analysis. By using big data and AI as well as bundling various offerings for specific services, they can continue to strengthen their relationships with patients. Cooperation with large insurance companies should also become more and more important to medical technology providers in addition to adapting to the ecosystem established by the major Internet companies. For India's health care industry, the pandemic is a wake-up call. The public health sector is currently planning 90 hospital projects with an investment volume of \$ 900 million. The pandemic has further increased Japan's demand for medical technology and drugs. Domestic production should be strengthened overall, since the country, with a rapidly aging population, relies on a high percentage of imports in some segments. The island nation is also attempting to compensate for a lack of nurses by using robot nurses and assistants. The expansion of public health insurance in the ASEAN countries,

such as Indonesia and Malaysia, resulted in growing demand for health care services and products. At the same time, private households themselves invested, if only at a low level, a greater share of their income in their health. This led to growing imports, since the region itself predominantly produces consumer goods, less-sophisticated medical electrical devices and hospital furniture. Telemedicine also gained importance in Southeast Asia in the reporting year in order to improve care in remote parts of the region. Basic care is provided by publicly funded facilities, which were also the source of the greatest demand for medical technology products. The biggest growth, however, was in private health care facilities.

Latin America's health care systems struggled with increased cost pressure and higher demand. Brazil's population development argues for sustained market growth, however, low market prices are making the market unattractive despite growth opportunities. In addition, the pandemic has heavily shaken an otherwise crisis-proof industry. The market research institute IQVIA expects an increase in sales in national currency of just 4 percent for 2020 and 10 percent for 2021. Converted to euros, the market volume for 2020 is set to decline, since the Brazilian real depreciated dramatically. According to IQVIA, Brazil was the world's seventh-largest market in 2018, behind the United States, China, Japan, Germany, France and Italy. With annual growth rates of 5 to 8 percent, IQVIA expects that the country will rise to fifth by 2023, surpassing Italy and France. The critical situation with the nation's finances has limited the Ministry of Health's budget, with expenditures for vaccines and drugs taking up an increasingly larger portion. In Brazil, online retail and delivery apps are showing highly dynamic development. The purchase of pharmaceutical products online more than doubled in the first half of 2020. However, it still accounts for less than 5 percent of sales by the major retail chains. Weak purchasing power is reinforcing the trend toward generics and more affordable medical technology, usually of lower quality. Mexico's government attempted to urgently adapt its neglected health care system to the pandemic, fast-tracking the completion of hospitals under construction, hiring new personnel and awarding no-bid contracts to purchase needed medical technology. To finance these endeavors, the Ministry of Health initially

spent around \$ 1.7 billion from an emergency fund starting in March 2020. Unfortunately, in many cases there was no longer a budget for equipment not directly needed for COVID-19 treatment, including diagnostic and orthopedic technology. Argentina's recession was also felt in the health care industry in the reporting year, since the social security funds had fewer contributions due to declines in real income and employment. Nevertheless, to be able to efficiently utilize the existing infrastructure, the government relied more on measures to digitalize health care. Colombia's health care system faced enormous challenges in 2020 from both an aging population and immigration from Venezuela. The country continued to rely on imports to meet the increased need. Demand will continue to rise in the coming years with the construction of new hospitals. The insolvency of health insurance companies and the steep discounts necessary on outstanding invoices from service providers such as dialysis clinics are negatively affecting confidence in the stability of the health care system.

In the last two decades, Africa has made significant progress in terms of life expectancy and reducing infant mortality. Nevertheless, health care on the continent continues to exhibit substantial deficiencies compared to other regions of the world. The next 30 years will pose additional challenges to the local health care systems, as a growing child population coincides with a higher percentage of elderly people. Due to limited funding, public health care barely has the capacity to adequately respond to the additional need. Additionally, the percentage of public expenditures on the health sector lags behind both when compared to developed countries and in comparison to the African Union's 2001 Abuja Declaration. The health sector in South Africa is relatively well positioned to manage the pandemic but must increase its capacities; hospitals could only slowly expand their treatment options for COVID-19 patients. In Kenya, the pandemic shone a light on the limited capacities of the health sector. Additional capital from abroad should mainly improve basic medical care. The Kenyan government lacks the funds for extensive investments due to a high level of debt, though some market observers are expecting investments in laboratory facilities. Health care in the Middle East is characterized by several international cooperative efforts. Numerous

foreign health care providers operate independent hospitals and assist local hospitals with their expertise. The industry also relies on foreign support when it comes to eHealth. The health budget of the United Arab Emirates (UAE) in 2020 was \$ 1.3 billion (+6.9 percent compared to 2019). As part of its AI strategy, the UAE intends to invest the equivalent of \$ 2 billion, including digital health. The principal investor in digital health is the public sector, whose financial leeway is greatly limited due to the impact of the pandemic. Greater involvement of the private sector will be decisive for successful implementation.

PERFORMANCE AND FINANCIAL POSITION

Business performance

In the 2020 reporting year, B. Braun sales grew 2.2 percent at constant exchange rates. This is outside of our strategic growth range of 5 to 7 percent, however, given the pandemic, the sales trend for 2020 is satisfactory. Depreciations of the US dollar and the Russian ruble as well as South American currencies such as the Brazilian real and Argentinian peso particularly affected the development of the reporting currency. The same applies to the price decline of the Chinese renminbi during the year. Sales in the reporting currency fell 0.6 percent to € 7.4 billion (previous year: € 7.5 billion). The Hospital Care, Out Patient Market and B. Braun Avitum divisions showed good increases in sales, which were largely within the targeted growth range when adjusted for currency effects. The Aesculap division was unable to offset the negative effects of the pandemic due to elective surgeries being postponed in many countries. Despite orders having since stabilized, sales in this division for the reporting year were significantly less than in the previous year. In contrast, products from the areas of infusion systems, compounding, infection prevention and injectable drugs sold very well, and products for disinfection and hygiene as well as corresponding PPE were in high demand.

Our domestic market of Germany performed well in the reporting year, with the increase in sales reaching our targeted growth range. The development in Europe was largely positive. Italy, Russia, the United Kingdom, Scandinavia and Switzerland in particular saw local sales increases. Sales in France, Poland, Belgium and the Netherlands, on the other hand, were weaker than in the previous year. Sales in US dollars in North America were good, however they remained at the previous year's level in the reporting currency. The Asia-Pacific region was unable to reach the previous year's level. Nearly every Asian country recorded a decline in sales due to the pandemic, with China in particular seeing a considerable loss. Only South Korea and Australia showed increases compared to the previous year. In Latin America, development in local currencies was satisfactory. Mexico and Chile achieved good growth rates. Brazil and Colombia were also able to achieve slight increases. Business performance in Argentina was again seriously strained in 2020 due to inflation. Due to the devaluation of Latin American currencies compared to the euro, those nations performed poorly in the reporting currency. In the Africa and Middle East region, we continued to increase sales, however, the increase was hampered in the reporting currency by negative exchange rate effects.

We were able to increase our operating profit in the reporting year, reaching the goal of improved earnings we set for ourselves. While cost increases in our production and growing regulatory requirements continued to put a strain on earnings, it was possible to reduce our cost level for sales and administration with a declining gross margin from a lack of business in Aesculap. In addition to actively controlled measures to improve process efficiency, this reduction was facilitated primarily by the restrictions on travel and sales activities put in place to contain the pandemic. The changes to our plant in Irvine, CA (US) mandated by the FDA in 2017 were completed in the reporting year through close cooperation with the agency and the corresponding

warning letter was lifted. Currently, we are working on overhauling/expanding production at the location in Daytona Beach, FL (US) and we expect FDA approval in 2021. Also in the United States, the value of the capitalized development costs for Novocart 3D was adjusted in the amount of € 20.1 million. Our pharmaceutical plant in Berlin experienced an incident resulting in property damage and a production stoppage. Final valuation of the damage is still pending. EBITDA at constant exchange rates for 2020 is 4.4 percent above the previous year, totaling € 1,126.3 million (previous year:

€ 1,079.1 million). Despite this clear improvement, we were unable to reach our goal of € 1.2 billion.

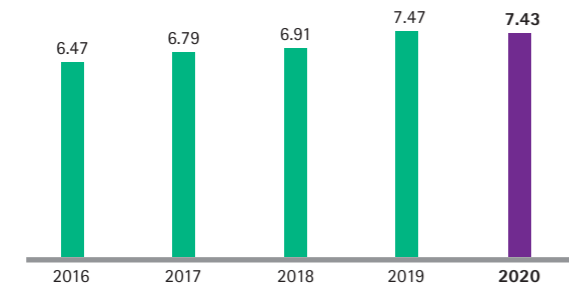
Of the key performance indicators used to manage operations, interim profit and EBIT, only interim profit reached the projected target range of € 500 million to € 550 million. This corridor could not be reached for EBIT despite a significant increase compared to the previous year. Given the pandemic, however, we are nevertheless satisfied with this earnings trend. In absolute figures, these management indicators at constant exchange rates totaled

KEY PERFORMANCE INDICATORS

	2019	2020	Change in %
Sales (in € million)	7,471.3	7,426.3	-0.6
Gross margin (in %)	40.5	39.4	
Net profit margin after taxes (in %)	2.6	4.1	
Interim profit (in € million)	475.4	495.0	4.1
Profit before taxes (in € million)	309.0	416.1	34.7
Profit before taxes (adjusted in € million)	400.2	416.1	4.0
Consolidated net income (in € million)	197.3	301.5	52.8
Consolidated net income (adjusted in € million)	288.5	301.5	4.5
EBIT (in € million)	388.8	481.8	23.9
EBIT (adjusted in € million)	480.0	481.8	0.4
EBITDA (in € million)	1,079.1	1,103.2	2.2
EBITDA margin (in %)	14.4	14.9	
Equity ratio (in %)	36.9	37.5	
Equity ratio including loans from shareholders (in %)	37.6	38.3	
Equity ratio net of effects of IAS 19 (in %)	42.4	43.9	
Net financial debt (in € million)	2,951.9	2,537.9	-14.0
Debt-equity ratio (Net financial debt/EBITDA)	2.7	2.3	
Research and development expenses (in € million)	364.5	369.8	1.5
Investments in property, plant, and equipment, intangible assets and financial investments (in € million)	894.6	782.8	-12.5
Depreciation and amortization of property, plant, and equipment and intangible assets	599.2	621.4	3.7
Net working capital (in € million)	2,051.2	2,165.7	5.6
Personnel expenditures (in € million)	2,828.9	2,855.4	0.9
Employees (as of December 31)	64,585	64,317	-0.4

SALES DEVELOPMENT

in € billion



€ 509.0 million (interim profit) and € 491.3 million (EBIT), respectively, or 7.1 percent and 26.4 percent above the previous year, respectively. Even when allowing for the adjustment in value of the shares in Rhön-Klinikum AG in the previous year (€ 91.2 million), the previous year's result was still exceeded. Consolidated net income at constant exchange rates rose to €307.3 million (previous year: € 197.3 million). The pandemic had a considerable impact on demand in the reporting year. Increasing demand for disinfection and hygiene products as well as PPE was observed for single use products. Infusion therapy products also saw high demand, particularly pump systems for COVID-19 patients in intensive care. In contrast, we took losses in the areas of basic care (Hospital Care) and implants (Aesculap).

The B. Braun Group remains in good, stable financial condition, even during the pandemic. At present, we are not aware of any other factors that could materially have a negative impact on the Group's position.

Earnings

B. Braun Group's sales growth

In FY 2020, B. Braun Group sales totaled € 7,426.3 million (previous year: € 7,471.3 million), for a 0.6 percent decrease (2.2 percent at constant exchange rates) over the previous year.

At the operational division level, Hospital Care, Out Patient Market and B. Braun Avitum made a positive contribution to our sales. The Hospital Care and Out Patient Market divisions posted strong growth rates

of 3.5 percent and 5.8 percent, respectively. B. Braun Avitum's sales rose by 1.0 percent, while the Aesculap division took a loss of 11.4 percent due to the lack of elective surgeries.

Germany experienced good growth at 6.1 percent. In Europe (excluding Germany), sales growth at constant exchange rates remained stable at +3.8 percent, with Italy, Russia, the United Kingdom, Scandinavia and Switzerland in particular seeing good growth locally. However, due to currency exchange rate trends, some countries with foreign currencies performed considerably poorer when converted to euros. France, Belgium, the Netherlands and Poland were unable to achieve the previous year's sales level. North America was able to exceed the previous year's sales in US dollars by 2.1 percent, with sales just exceeding the previous year by 0.2 percent in the reporting currency. In the Asia-Pacific region, B. Braun was unable to reach the previous year's sales at constant exchange rates (-4.4 percent). China (including Hong Kong), India and Indonesia in particular fell below the previous year in local currency, with negative currency exchange rate effects due to a strong euro putting additional strain on sales in the reporting currency. In Malaysia, we just barely reached the previous year's sales level in local currency. Australia and South Korea had positive growth despite the negative exchange rate effects also prevalent in those countries. In the Latin America region, we increased sales in local currencies by 3.5 percent. Argentina, Mexico and Chile saw good sales increases in their currencies. Every country in Latin America (especially Argentina) were impacted by strong, negative fluctuations in exchange rates compared to the euro, which is why sales in the reporting currency fell 14.8 percent compared to the previous year. In the Africa and Middle East region, we experienced 2.0 percent in growth in local currencies, however, sales in the region ended up 2.3 percent below the previous year in the reporting currency.

Business performance of the B. Braun Hospital Care division

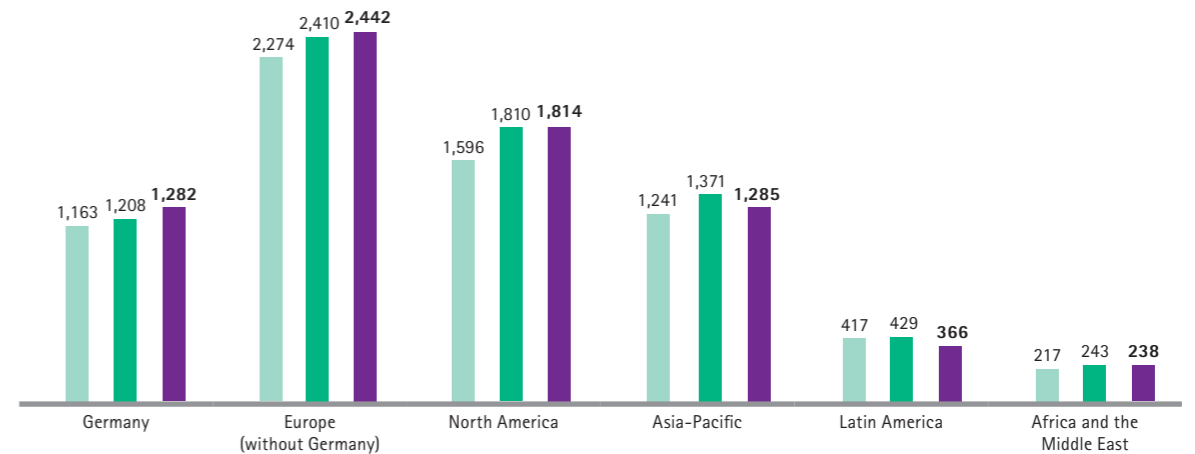
The Hospital Care division increased sales 3.5 percent to € 3,459.8 million (previous year: € 3,343.0 million), though the division was burdened by neg-

ative currency exchange rate effects. When adjusted for currency effects, the division's growth rate was 6.8 percent. Our infusion pumps were a critical driver of this growth, as demand rose sharply due to the pandemic. The addition of extra capacity in the United States for patient-specific nutrition

solutions further increased sales. However, demand for basic care products, IV catheters, infusion sets and regional anesthesia products declined. Growth was also negatively impacted by currency exchange rate effects in Latin America, Eastern Europe and Asia-Pacific, with government interventions in Ec-

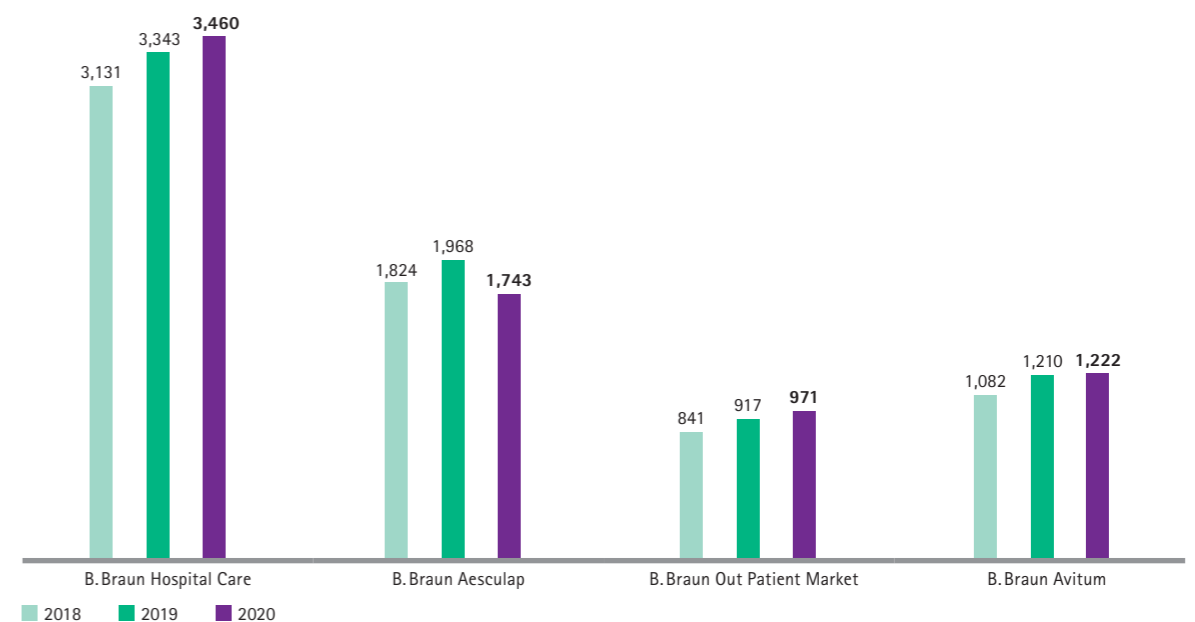
SALES BY REGION

In € million



SALES BY DIVISION

In € million



2018 2019 2020

cuador, Colombia and Peru restricting necessary price increases that would have offset these effects. Growing regulatory requirements and higher production costs also prevented better development.

Business performance of the B. Braun Aesculap division

In the last fiscal year, the Aesculap division reported sales of € 1,742.9 million (previous year: € 1,968.2 million), falling 11.4 percent (9.5 percent at constant exchange rates) below the previous year. This decline in sales was the result of postponements or cancellations of elective surgeries due to the pandemic. The core markets of Germany, the United States and China all recorded losses. Sales of implants (knee, hip and spine) and surgical supplies (suture materials and laparoscopy products) declined, however, products for access ports saw increases. The digital microscope Aeos® was successfully launched in the market. The steps taken worldwide to reduce costs were unable to offset the poor sales caused by the pandemic and implementation of the European Medical Device Regulation (MDR) further dampened earnings.

Business performance of the B. Braun Out Patient Market division

The Out Patient Market division reported sales of € 970.9 million (previous year: € 917.3 million), rising

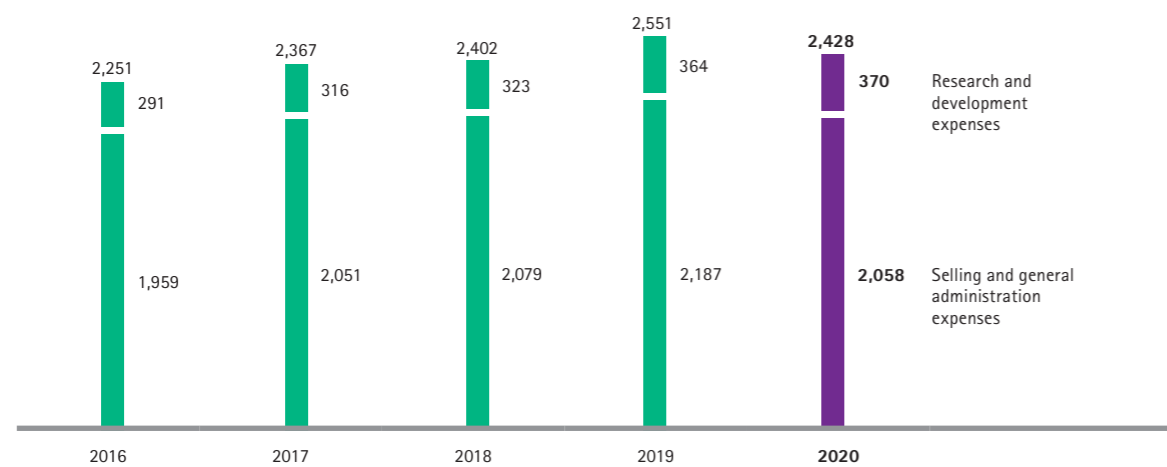
5.8 percent (7.9 percent at constant exchange rates) above the previous year. This growth was primarily achieved with our infection prevention products. By contrast, sales in the areas of wound care and ostomy care fell below the previous year. Sales development was also burdened by currency exchange rate trends, predominantly in South America and Eastern Europe. In Ireland, B. Braun surgical masks launched successfully, and possible expansion to other countries is currently being examined.

Business performance of the B. Braun Avitum division

Sales in the B. Braun Avitum division increased by 1.0 percent in the reporting year (4.5 percent at constant exchange rates) to € 1,221.9 million (previous year: € 1,210.1 million). The primary growth markets were China, the United Kingdom and Mexico. Due to the pandemic, sales of acute dialysis products rose considerably, with increases in the sales of dialyzer cartridges and HD concentrates. Sales of dialysis machines increasingly improved over the course of the year. In contrast, several projects relating to water treatment systems could not be started due to the pandemic. Our network of renal care centers saw growth of 1.5 percent at constant exchange rates. Adjusted for sales and acquisitions, organic sales growth came in at 4.8 percent. The decline in sales due to the sale of our

FUNCTIONAL EXPENSES

In € million



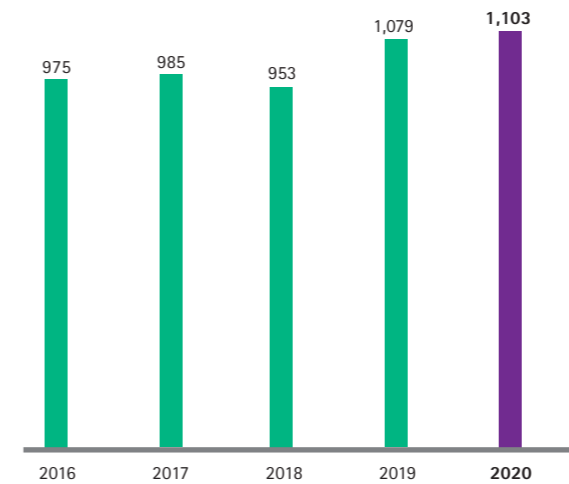
centers in Poland was offset. Our overall good development was negatively affected by the weakness of the currencies in Latin America and Russia as well as additional material costs for PPE and increased personnel expenditures.

Development of gross profit

Gross profit in the 2020 reporting year fell 3.4 percent to € 2,923.1 million (previous year: € 3,026.5 million). Gross margin shrank 1.1 percentage points to 39.4 percent (previous year: 40.5 percent) due to startup costs for our new plants and increased production costs in Germany along with the locations in Irvine, CA (US), Nogent (France) and Midrand (South Africa). Furthermore, production also experienced growing regulatory requirements and increased costs for audits associated with them.

EBITDA

In € million



Development of functional expenses

Selling expenses decreased 7.0 percent to € 1,695.0 million (previous year: € 1,823.1 million). Higher cargo rates due to the pandemic also increased costs. At the same time, we managed to save considerably on costs through optimized sales and logistics structures, though mostly through reduced travel, and fewer trade fairs and events due to the

pandemic. The ratio of selling expenses to sales therefore decreased significantly by 1.6 percentage points. Administrative expenses in the fiscal year came to € 363.2 million (previous year: € 363.4 million), remaining at the previous year's level. At constant exchange rates, administrative expenses were 2.7 percent higher than the previous year. We aim to maintain this low cost level by consistently implementing further process and cost optimization measures, with a major component being the continued expansion of our shared service organization in conjunction with additional process automation. The first projects using modern technology, such as robotic process automation, are already underway.

Research and development expenditures rose slightly in the reporting year. Non-capitalized research and development expenses were up by 1.5 percent to € 369.8 million (previous year: € 364.5 million), with € 26.1 million (previous year: € 14.2 million) in adjustments of the value of development projects. In addition, development expenditures totaling € 22.8 million (previous year: € 21.4 million) were capitalized as intangible assets.

Development of other operating income and expenses

Other operating income and expenses for the reporting year totaled € -33.8 million (previous year: € -40.7 million), a difference of € 6.8 million. Costs to hedge exposure in foreign currencies dropped € 7.8 million to € -25.7 million (previous year: € -33.5 million), in contrast to an increase in value adjustments to receivables compared to the previous year. In return, the sale of our provider business in Poland made a positive contribution to discontinued consolidation. Income was realized in connection with earnout payments from past acquisitions.

Development of net financial income

Net financial income, including investment income, improved in FY 2020 by € 80.7 million to € -45.1 million (previous year: € -125.8 million). Interest expenses totaled € 51.7 million, falling € 6.6 million from the previous year (€ 58.3 million). At € 9.6 million, interest income was higher compared to the

²The difference between additions to fixed assets and cash outflow from investing activities as attributable to cash relevant investments and currency translation effects.

previous year (€ 7.7 million). Additionally, investment profits (including profits from equity method investments) were significantly higher (€ +66.7 million), totaling € 20.9 million (previous year: € -45.9 million). This was essentially the result of the adjustment made in FY 2019 on the carrying value of the investment in Rhön-Klinikum AG. We sold off our shares in Rhön-Klinikum AG in the reporting year.

Development of earnings figures

Interim profit increased to € 495.0 million (previous year: € 475.4 million). EBIT in the reporting year reached € 481.8 million, just barely exceeding the previous year's level (previous year adjusted: € 480.0 million). Depreciation increased to € 621.4 million (previous year: € 599.2 million), for an EBITDA of € 1,103.2 million. EBITDA increased 2.2 percent over the previous year. The EBITDA margin increased by 0.5 percentage points to 14.9 percent of sales (previous year: 14.4 percent of sales). Profit before taxes improved 34.7 percent, reaching € 416.1 million (previous year: € 390.0 million). Income taxes for the fiscal year amounted to € 114.6 million, up € 2.9 million from the previous year (€ 111.7 million). The effective tax rate in the reporting year was 27.5 percent (previous year: 36.1 percent). Consolidated net income totaled € 301.5 million, up 52.8 percent from the previous year (€ 197.3 million).

Financial position

Liquidity

Operating cash flow totaled € 797.8 million (previous year: € 815.0 million), down € 17.2 million from the previous year. Cash flow from investment activities² fell € 452.6 million in the fiscal year to € 346.6 million (previous year: € 799.2 million), resulting in a clearly positive free cash flow of € 451.3 million (previous year: positive free cash flow of € 15.8 million). Accordingly, cash flow for investments in plant, property and equipment as well as intangible assets totaled € 677.1 million (previous year: € 768.9 million) and € 24.1 million (previous year: € 59.5 million) for investments in financial assets and business acquisitions. At the same time, B. Braun received dividends and dividend equivalents in the amount of € 14.1 million (previous year: € 15.3 million). The sale of our interest in Rhön-Klinikum AG brought in another € 304 million. Net loan repayments for the reporting year

was € 408.5 million (previous year: net € 41.7 million in borrowing). Overall, cash and cash equivalents rose by € 66.8 million as of the reporting date, to € 149.1 million (previous year: € 82.4 million). Stable cash flow from operations in conjunction with open, firmly committed credit lines gives B. Braun adequate liquidity at all times.

Asset structure

As of December 31, 2020, the total assets of the B. Braun Group decreased to € 9,720.1 million (previous year: € 10,088.4 million), a decrease of 3.7 percent. At constant exchange rates, total assets increased 1.1 percent, reflecting investments in property, plant, and equipment that exceeded depreciation and more working capital.

Non-current assets decreased 6.2 percent to € 6,605.9 million (previous year: € 7,040.0 million). Due to a consistently high level of investment, total property, plant, and equipment increased in the reporting year by 3.0 percent at constant exchange rates, though a strong euro resulted in a 1.8 percent decrease in the reporting currency to € 5,150.0 million (previous year: € 5,244.1 million). Financial assets decreased 65.2 percent to € 175.0 million due to the sale of our shares in Rhön-Klinikum AG. Inventories as of the reporting date amounted to € 1,450.2 million, up 5.8 percent (11.6 percent at constant exchange rates) over the previous year (€ 1,370.2 million). Inventory coverage as of the reporting date was 16.7 weeks (previous year: 16.0 weeks). Trade receivables dropped by 4.6 percent (-2.7 percent at constant exchange rates) to € 1,182.9 million (previous year: € 1,240.0 million). Trade receivables DSO were reduced by 4 days to 61 days compared to the previous year (65 days).

Financing structure

Equity decreased by 2.1 percent (+5.0 percent at constant exchange rates) to € 3,641.0 million (previous year: € 3,720.6 million). The equity ratio was 37.5 percent (38.3 percent at constant exchange rates), 0.6 percentage points over the previous year's level (36.9 percent). Taking into account shareholder loans, this corresponds to an equity ratio of 38.3 percent, meeting our goal from the previous year of over 38 percent. In the reporting year, the actuarial interest rate for pension provisions fell to 1.25 percent (previous year: 1.5 percent), for a rise in actuarial losses of € 97.6 million. According-

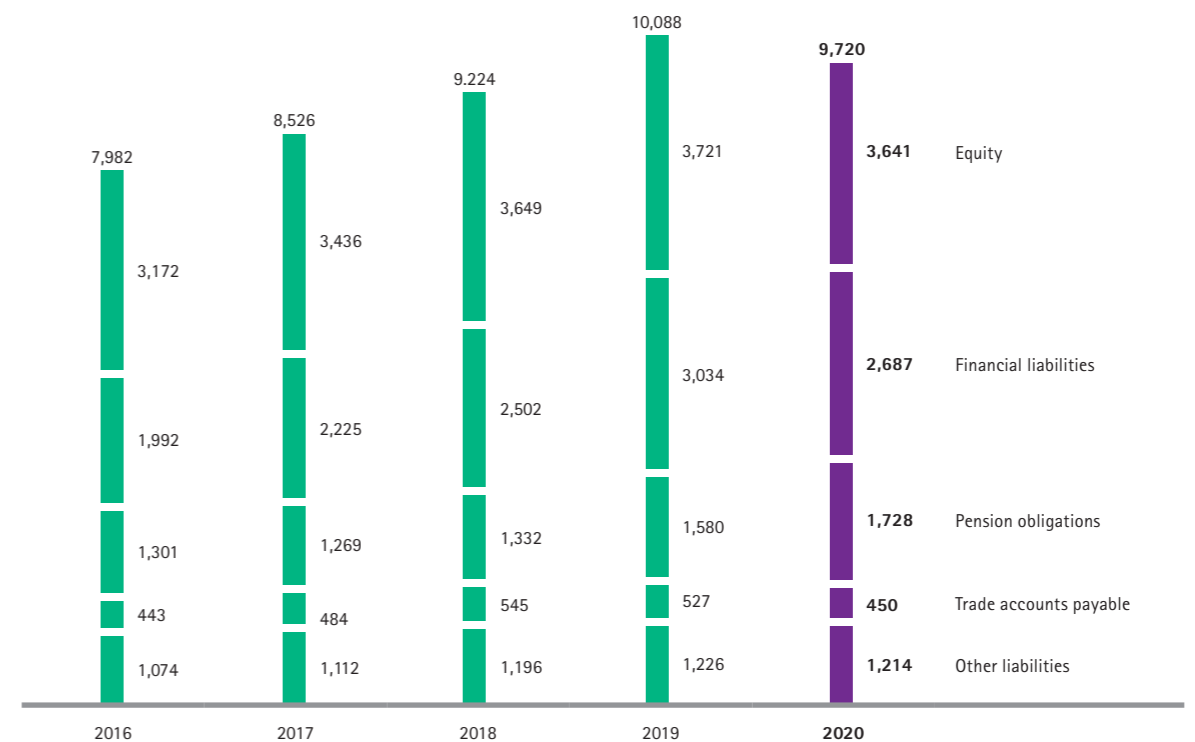
STRUCTURE OF STATEMENT OF FINANCIAL POSITION: ASSETS

In € million



STRUCTURE OF STATEMENT OF FINANCIAL POSITION: EQUITY AND LIABILITIES

In € million



ly, total provisions for pensions and similar commitments increased by 9.4 percent to € 1,728.2 million (previous year: € 1,580.0 million). The low interest rate necessitated an increase in pension provisions. Adjusted for the effects in the period from 2011 to 2020 from the revaluation of pension commitments, equity totals € 4,263.9 million. This results in an equity ratio of 43.9 percent, which is close to our strategic target of 45 percent. Financial liabilities decreased 11.4 percent to € 2,687.0 million (previous year: € 3,034.2 million). Non-current financial liabilities fell 15.8 percent to € 1,935.8 million (previous year: € 2,298.2 million). Current financial liabilities, in contrast, rose 2.1 percent to € 751.2 million (previous year: € 736.0 million). Financial liabilities from leasing sank in the fiscal year by € 28.3 million to € 404.2 million (previous year: € 432.5 million). Most Group financing is conducted in euros, however, there are also small loans in various foreign currencies. As of the reporting date, 57.6 percent (previous year: 61.9 percent) of financial liabilities to banks and insurance providers carry a fixed interest rate. Less financial debt and increased cash and cash equivalents mean that net financial debt (including IFRS 16) fell € 414.0 million to € 2,537.9 million (previous year: € 2,951.9 million). Trade accounts payables fell 13.5 percent to € 448.7 million (previous year: € 524.9 million). At the same time, trade payables DPO dropped 7 days to 37 days (previous year: 43 days).

Outside financing is obtained exclusively from banks we deem reliable and the range of measures includes syndicated and bilateral credit lines, promissory notes and an asset-backed securities program. As of the reporting date, B. Braun has available lines of credit in the amount of € 1,592.0 million (previous year: € 1,251.1 million). We have met all of the required financial performance benchmarks agreed upon with our banks. In 2020, we were able to place our planned refinancing instruments. Financing measures in the reporting year included B. Braun SE taking out a new syndicated line of revolving credit in the amount of € 700 million that has replaced an existing syndicated line of credit taken out by B. Braun Melsungen AG for € 520 million. B. Braun SE also assumed

promissory notes from B. Braun Melsungen AG totaling € 883.0 million under the established terms as part of an assumption of obligations. The asset-backed securities program was largely financed by the backup line of credit during the reporting year.

Non-financial performance indicators

Number of employees

As of December 31, 2020, the B. Braun Group employed 64,317 personnel, 0.4 percent less than in the previous year (64,585). The slight decrease was due to targeted adjustments and optimized processes in production and in the sales organizations of individual national subsidiaries, along with the sale of our renal care centers in Poland, without which our number of employees would have risen slightly.

At the end of the year, a total of 15,893 people were working for B. Braun in Germany (+0.4 percent). This increase was due to the acquisition of additional renal care centers and an increase in hirings for the production of dialyzer cartridges. The number of employees in Europe (excluding Germany) also rose slightly, by 0.8 percent to 20,085 (previous year: 19,924). This was due to an expansion of business activities, particularly in Russia, where we acquired existing renal care centers and established new ones, as in previous years. There was a need for temporary employees in our logistics centers in Spain, and in technical and administrative areas. To meet the increased demand due to the pandemic, temporary employees were hired for production in Italy. In France, rising sales resulted in an expansion of production and, with it, an increased need for personnel.

In North America, we increased production capacity and expanded our research and development activities, resulting in an increase in employees by 2.5 percent to 7,777 (previous year: 7,587). In the Asia-Pacific region, B. Braun had 16,108 employees, 3.6 percent fewer than the previous year (16,713). In Malaysia, we adapted pharmaceutical production to a decrease in demand and exploited synergies in other areas. In India and China, lower demand re-

sulted in a decrease in employees. In Latin America, the number of employees sank 4.0 percent to 3,431 people (previous year: 3,575). Improved production efficiency through restructuring and retirement schemes reduced the number of employees in Brazil. The number of employees in Colombia increased due to expanded production and dialysis business.

In Africa and the Middle East, a total of 1,023 people were working at B. Braun at the end of the reporting year, 6.8 percent more than the previous year (958). The construction of a production facility in Kenya that began operations in April 2020 and a new pharmaceutical factory in South Africa increased the number of employees in these countries.

Vocational training

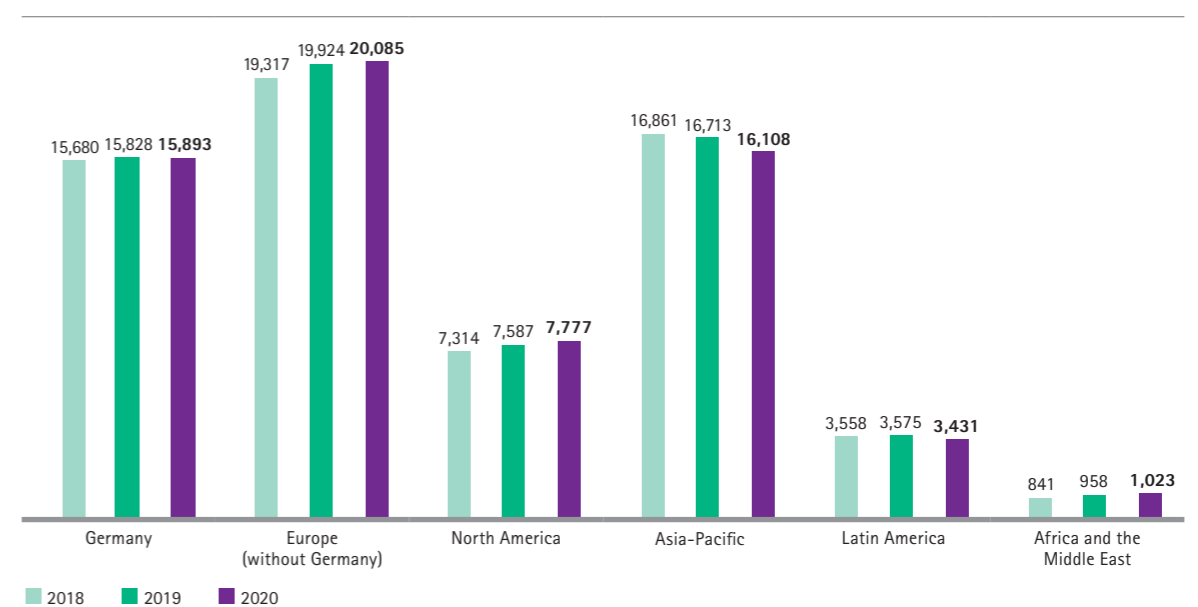
B. Braun trains young people in Brazil, Germany, France, Malaysia, Poland, Switzerland and Vietnam. In these countries, a total of 1,110 (previous year: 1,105) people were undergoing vocational training in the reporting year. A total of 360 young people (previous year: 384) completed their training and 289 (previous year: 291) accepted offers to join B. Braun.

At B. Braun's locations in Germany, we train young people in a variety of commercial, technical and scientific occupations. Overall, B. Braun offers 27 various positions requiring certified apprenticeships, which is provided in a dual education system. To learn the theoretical knowledge they need, apprentices attend vocational school every week or in blocks. At B. Braun, they work in a variety of departments to connect their theoretical knowledge with practice. Across Germany, there are currently 783 (previous year: 802) people in apprenticeships. In the reporting year, a total of 105 apprentices (previous year: 91) took the option of undertaking a course of study in one of 14 different majors alongside their training. Of the 236 apprenticeship graduates overall (previous year: 232), a total of 209 (previous year: 201) accepted offers to join B. Braun.

Thanks to the employees

In the spirit of Sharing Expertise, the employees of B. Braun work together with our customers to protect and improve the lives of people around the world. Especially in 2020, the year of the pandemic, B. Braun was able to rely on the flexibility, personal commitment and high motivation of its employees:

EMPLOYEES BY REGION



We had employees volunteer to work at other plants and locations to help handle spikes in production. Our employees in warehousing and logistics ensured smooth operations, making it possible to maintain high supply capability. Employees in sales found pragmatic solutions to let us deliver products to our customers, despite the pandemic. Administration employees arranged for urgently needed PPE in the face of strained supply chains. And employees working in offices switched to working at home and video-conferencing from one day to the next. We extend our sincere thanks to all our employees for their work and for their willingness to take on new tasks. This willingness will also be the basis for positive business performance in the future. We thank the employee representative committees and trade unions for their always fair and constructive collaboration.

Quality and environmental management

B. Braun operates an extensive and connected quality management system certified by accredited notified bodies. It consists of a multi-step process that covers international requirements, regulations, and laws, and integrates applicable standards for material, product, and risk management. Other requirements regarding environmental protection and occupational safety have also been combined into an integrated management system. This allows us to meet the ISO 13485 criteria in all reporting countries that manufacture medical devices. ISO 13485 verifies that a high-quality management system is in place that evaluates, analyzes and continuously improves on quality in developing, manufacturing, storing and selling medical devices. In many countries, we are also certified under ISO 9001, a basic standard in quality management that includes all industrial sectors. We implement new or modified global standards in cross-divisional projects and integrate them into this system. We also integrate regulatory requirements from national markets into the system, such as the Medical Device Single Audit Program (MDSAP), which monitors the quality of medical devices in Australia, Brazil, Japan, Canada and the United States. We currently include our German and Swiss locations in

the MDSAP and are successively expanding the certification of other international locations. With our global quality management system, we ensure that all locations in the production network operate according to the same principles. The result is products and services that not only meet national quality requirements, but often go far beyond them. The latest legal standards include the EU's regulation on medical devices (MDR), which was meant to take effect as of May 2020. It supersedes the previous Medical Device Directive (MDD) and has an impact on numerous processes regarding the development, manufacture, and sale of medical technology. With its higher requirements, the MDR effectively improves product quality; for example, with stricter requirements on conducting clinical trials, an expanded scope for qualifying and validating manufacturing processes, restructuring responsibilities for technical documentation, and enhanced measures for market surveillance. In 2019, B. Braun in Germany passed its audit under the new regulation and was given an MDR certificate for our quality management system as well as for the first products audited under the MDR implementation guidelines. This makes us one of the first companies in Germany to receive an MDR certificate and we consider ourselves well equipped to implement the regulation by May 2021. In addition to medical devices, there is a new European regulation for drugs: the Falsified Medicines Directive (FMD). The European Union enacted this regulation (the Track & Trace Directive) to establish traceability to prevent the production of counterfeit prescription drugs. We invested around € 20 million to retrofit 30 production lines, 30 warehouses and 700 packages in Europe and North America to meet track and trace requirements, allowing us to register the serial numbers of every drug we have produced since the inception of the directive on February 9, 2019 on a central EU database. With this, B. Braun fulfilled all track and trace regulations when the directive took effect.

The B. Braun Management Board and the European Works Council have agreed to joint rules for environmental protection. All European subsidiaries in

the B. Braun Group are committed to adhering to unified standards that exceed the statutory regulations in the respective countries. In this way, we can achieve comparable systems for operational environmental protection across Europe. The binding certifications for all European B. Braun production subsidiaries include ISO 14001 for environmental management and ISO 50001 for energy management. Also outside of Europe, numerous B. Braun companies have already certified locations in accordance with these ISO standards. Some locations have even been awarded the Eco Management and Audit Scheme (EMAS) certificate, such as in Spain and Austria. To complement the management approaches in the ISO 14001 certification, EMAS focuses on publicly available environmental reporting with tangible action plans and data. In Switzerland, we are a member of the Energy Agency of the Swiss Private Sector (EnAW). As part of the "Effizienz+" program, we have optimized our processes in this country to use the energy needed for production even more efficiently. All employees, in accordance with their position, receive regular training on occupational safety and health, first aid, and what to do in case of a fire. We design workplaces to be ergonomic and, if possible, low-noise, and develop occupational safety and health plans to strengthen our culture of safety. All technical departments of the company must meet strict legal and regulatory requirements, supplemented by B. Braun's own standards for occupational safety and health, and monitored by regular audits. Some B. Braun locations have already been certified under ISO Standard 45001, which will supersede the long-time standard OHSAS 18001 in 2021. Both certifications are considered the highest standard for managing occupational safety and health. Whereas OHSAS 18001 focuses exclusively on procedures within a company, ISO 45001 looks at company processes and how they interact with the business environment. In the United Kingdom, we are implementing the comparable plan-do-check-act system set forth in the HSG65 national standard. The Melsungen location has also obtained the seal of approval for systematic safety from Germany's statutory accident insurance provider for the raw

materials and chemicals industry (BG RCI). Select European B. Braun renal care centers are certified under EN ISO 9001 and IEC/TR 62653 "Guideline for safe operation of medical devices used for hemodialysis treatments". Renal care centers qualified under these standards are authorized to use the Good Dialysis Practice certificate. B. Braun is also a member of the German Chemical Industry Association (VCI) and follows its guidelines for responsible conduct, with the goal of independently improving health, safety and the environment.

Despite high quality standards and preventive measures, a product can, on a rare occasion, be defective or be used incorrectly. Complaints are received by our local sales organizations, then analyzed and evaluated in Melsungen and Tuttlingen. From there, investigations are ordered at the production locations in question, then our experts develop solutions on site as required.

Customer accountability and product responsibility

B. Braun protects and improves the health of people around the world—with safe, high-quality products and services. Our customer groups—hospital management, doctors, nurses, pharmacists and, not least, patients—expect us to provide medical solutions with maximum value. This is why we see it as our responsibility to develop therapy systems that optimize processes, bring about progress, increase safety and strengthen partnerships for better patient care.

With the "B. Braun for Safety" project, which was launched in 2013, we have strengthened our partnerships with a variety of organizations and associations, including cooperation with the European Association of Hospital Managers, the umbrella organization for hospital management in Europe. Through joint projects, we increase awareness of the risks of use and contribute to safe and high-quality patient care over the long term.

B. Braun is actively working in the German Medical Technology Association (BVmed), the European

Medical Technology Association (MedTech Europe) and the Asia Pacific Medical Technology Association (APACMed) on new medical standards and rules, including on the topic of safety. B. Braun Management Board member Dr. Meinrad Lugan is chairman of the board of BVMed and sits on MedTech Europe's Operations Management Committee. Dr. Gabriela Soskuty, Senior Vice President Global Government Affairs & Market Access, represents us as on the board of the German Pharmaceutical Industry Association (BPI). Dr. Jean-Claude Dubacher, chairman and CEO of B. Braun in North America, sits on the boards of the German American Chamber of Commerce and the medical technology association AdvaMed. Lam Chee Hong, President of the Asia-Pacific region, represents B. Braun on the Management Board of the Asia Pacific Medical Technology Association (APACMed).

Part of our safety concept is to continuously improve the design of our products and packaging: Easily visible, harmonized color codes indicate the size of the product or what material is used to manufacture it. Special labels with clear, differentiating colors and shapes make it easier to select the proper dose of medications and make the packaging more noticeable, which is particularly important when it comes to critical substances. Our work in this area has been recognized by multiple product design awards.

Our Data Protection department establishes the B. Braun data protection strategy, defines goals and establishes standard processes. B. Braun's data

protection experts ensure compliance with legal requirements and internal standards, supported by other data protection officers and data protection coordinators. This department organizes routine employee training sessions, consults on the drafting of contracts or marketing activities, and offers a comprehensive data protection information center. At regular events, the Data Protection department, data protection officers and data protection coordinators meet to discuss current developments in data protection. The requirements in the EU's General Data Protection Regulation (GDPR) unify the rules for processing personal data. We implement legal requirements and internal standards at all European B. Braun locations, and country-specific regulations are also applied locally.

More networking brings with it potential risks to critical infrastructure (KRITIS), such as at hospitals and the production facilities of manufacturing companies, which are important to the community.

Lawmakers are responding to this development with new regulations, such as the IT Security Act in Germany. At B. Braun, a chief information security officer (CISO) coordinates all information security activities and measures. We have set a goal of establishing an information security management system (ISMS) in accordance with international standard ISO/IEC 27001. We also work with Germany's Federal Office for Information Security (BSI) to conduct voluntary tests of connected medical technology products in order to use the knowledge obtained to further increase the safety of product software.

RISK AND OPPORTUNITIES REPORT

RISK MANAGEMENT AND CONTROLLING

All strategic and operational decisions at B. Braun are made with consideration of the risks and opportunities involved. We fundamentally pursue a cautious corporate strategy and avoid any uncontrollable potential risks, with risk management and controlling being key management tasks and an essential part of Group management. The B. Braun Group's comprehensive risk management ensures that risks can be identified, documented, assessed, monitored and managed. Risks resulting directly from business operations are quickly identified and assessed using our systematic controlling processes, which are implemented throughout the Group in all business areas, companies and regions. We also identify and manage risks that do not result directly from business operations. The divisional and Group risk committees assess these risks and document appropriate countermeasures. Our risk management is rounded out by an internal audit department and ultimately by the annual audit of financial statements.

RISKS

The risks described below, which could have an impact on B. Braun, do not constitute every single risk to which B. Braun is or may be exposed. Risks that are not known or are considered to be insignificant at the time this annual report was prepared may also impact the earnings and financial position of the B. Braun Group.

Macroeconomic risk

One substantial risk is the future developments in the coronavirus pandemic. If the number of new infections cannot be kept low, a more prolonged state of vulnerability can be expected. Fresh outbreaks of the virus can impede or even temporarily halt individual production facilities and supply chains. If the crisis were to continue to persist, it would be more difficult for governments to mitigate

its impact with public borrowing and publicly funded support programs. In the eurozone, Member States that were already heavily in debt before the pandemic are faced with a significant challenge. If the economic consequences of the pandemic cannot be contained, there is a risk of renewed doubt in the solvency of individual Member States. This means the risk of a financial crisis has risen. Should government assistance measures expire before the economy has achieved sustainable recovery, there is a risk of business insolvencies that could weaken the financial position of banks and institutional investors, which could narrow the options for outside and equity financing.

The trade conflict between the United States and China holds a risk of permanently straining international economic relations. The first punitive tariffs on goods from China in June 2018 were the prelude to an escalating trade dispute between the world's two largest economies, resulting in global uncertainty. There is a risk that businesses will refrain from investing and consumers will put off purchases. This would put considerable strain on export-oriented companies. Price increases or low product availability can also prove detrimental to private households. With the new administration in the United States, Europe can assume a more open and reliable dialog. Even if some of the protectionism that grew in recent years remains, the risk of extra duties on imports from Europe is likely to be lower.

The probability of individual macroeconomic risks becoming reality appears high and can impede the growth of B. Braun.

Industry risk

The health care industry is of major importance to national economies while also being largely unaffected by economic trends. This means the health care industry can have a stabilizing effect on aggregate demand and on the labor market. The health care industry is also on a course of expan-

sion overall. With B. Braun's portfolio of single use products, stable sales can generally be earned, whereas the capital goods it produces are more vulnerable to macroeconomic development. We are currently observing a somewhat divergent development as the pandemic progresses. Despite massive strains on government budgets, especially from support payments related to business closures, products such as infusion pumps, which are needed in ICUs, are in high demand while the sale of single use products necessary for procedures such as elective surgeries are in decline. Economic development is usually also reflected in areas in which the patients must pay for health services out of pocket. The significant increases in costs within the industry have resulted in virtually every national health care system taking steps to save money. China, for example, introduced volume-dependent public procurement, which has had a negative effect on prices. Individual countries also continue extending payment targets. This will only increase due to secondary effects resulting from the pandemic. Once the pandemic phase has been overcome, it is expected that government budgets will limit spending in order to reduce the debt generated by the pandemic. This can impact health care budgets, curtailing the solvency of our customers. It is possible that our DSO will worsen, so we are preparing with an appropriate receivables and liquidity management scheme. Some markets are seeing a trend of foreign manufacturers receiving no or only limited access to public procurement opportunities, especially when domestic manufacturers can offer comparable products. To secure access to global sales markets, B. Braun is continuing to expand its regional presence.

According to the "Hospital Rating Report 2020" by the RWI-Leibniz Institute for Economic Research, German hospitals have continued the poor economic performance of the previous year, with 13 in the "red zone" with an elevated risk of insolvency. It is likely that the renewed decline in the number of inpatient cases has been a crucial factor in poorer financial positions. This is exacerbated by a shortage of skilled labor and the growing outpatientization of medicine. Funding under Germany's Hospital Financing Act has decreased over time. In terms of case numbers, an appreciable one-off decrease of at least 6 percent is expected this year due to the

postponement of elective procedures. It is expected that just 50 percent of the postponed elective inpatient procedures will be performed in 2021 and 2022. Additionally, by the year 2030, hospital stays are likely to have shortened further, which would decrease the need for hospital beds. Should this trend continue and wages continue to increase, the percentage of hospitals in the green rating zone would fall from 64 percent to 54 percent by 2025.

The potential of digitalization can be utilized even better, especially in health care administration. Many health care facilities are still predominantly analog in organization or use isolated digital applications or in-house developments, leaving synergistic effects and process simplifications between the various health care players unutilized. Introducing a nationwide digital infrastructure brings with it the challenges and opportunities of getting everyone to cooperate and network with one another. At the same time, solutions for the specific needs of individual interest groups must be integrated, while ultimately meeting all data protection requirements.

Thus, the structural risks for businesses operating in the health care industry remain elevated overall. Should these risks become reality, it may impact the earnings of B. Braun.

Procurement risk

Risks generally result from commodity price changes and supply shortages in the procurement markets. The materialization of these risks may impact production supply, thereby impacting B. Braun's supply capabilities. In some instances, potential supply shortages were recorded in the reporting year that were essentially related to the pandemic. In addition to PPE and hygiene/cleaning products, there were challenges due to closed plants and reduced component production from suppliers. Rising demand for portions of the product range needed to be met by increasing procurement volumes in a difficult market situation. Steps taken early on, such as the build-up of safety stocks and the Group-wide bundling of activities and a Group-wide market approach, served to avert these risks, so that at no time did any appreciable production delays or interruptions occur. Our long, trusting and fair cooperation with our suppliers was also a key factor.

To minimize the risk of supplier defaults, we routinely conduct risk assessments of our suppliers. If a supplier is identified as a high default risk, we have a range of processes and instruments in place to ensure continuous supply. These include disaster recovery plans, building up inventory either at B. Braun or at the supplier's location, second and dual sourcing, and the notarized storage of documents about production processes and formulations.

We expect no significant change in procurement risk in 2021. Given the ongoing pandemic, our supplier risk management will continue to be expanded to minimize the risks of supplier defaults.

Product risk

We counter the risk of adverse interactions and side effects with quality management systems at our production facilities. These are based on international standards to assure that all regulatory requirements are observed. Regular reviews of our quality management systems using internal and external audits, together with continuous employee training, round out our quality management.

To minimize risks from product liability, B. Braun has placed an international liability insurance program with a consortium of four primary insurers. To ensure that the particular country-specific or legal requirements are met, a local policy was taken out in each country where B. Braun has its own company (majority interest). In conjunction with this, an excess liability policy offers more extensive, globally uniform insurance coverage.

There are no risks from ongoing processes that could jeopardize the company's continued existence.

Human resources risk

In the reporting year, the pandemic sped up the digital transformation of professional life. Within a short period of time, the majority of B. Braun employees in administration were working from home. New digital formats have shaped our working culture, both within the company and in our contact with customers. We are guiding our employees through these changes with appropriate IT solutions and training. The extensive offering at the B. Braun

Business School, as well as regional and local employee development programs, offer prospects for professional development. A digital portfolio makes it possible to shape individual learning pathways in a needs-based, self-regulated and flexible manner. To face the demographic trend of an aging workforce, succession planning ahead of time is an important component of our strategic human resources planning, alongside continuous in-house training and development, and the hiring of new employees.

We expect the pandemic will influence and likely alter our working culture. This crisis has already shown that the fast pace of digital transformation can also be an opportunity to break new ground when it comes to working together. In the coming years, expanding our employees' digital skills will be emphasized considerably, as well.

Due to existing HR processes and development initiatives, we expect no material impact from potential human resources risks, even in the future.

IT risk

A failure of critical IT systems or the loss, unauthorized alteration or disclosure of data can have grave consequences, including interruptions in business operations, loss of reputation or even fines and legal claims. To reduce these risks, various organizational and technical security measures have been implemented, such as routine data backups and employee training as well as authorization concepts, redundant systems and malware protection. These measures are continually reviewed and expanded as part of a comprehensive IT security program. Enhanced protections for our production networks and continuous monitoring for attacks are some of the steps being taken. In addition, an information security management system (ISMS) according to international standard ISO/IEC 27001 is being implemented. This kind of ISMS systematically identifies the risks to which our IT systems and the information they process are exposed and defines adequate protections. In the face of increasing digitalization and networking as well as ever-changing threats (such as novel cyberattacks), it will soon be necessary to constantly review and implement new security measures at all times. Reducing security risks will remain one of the fundamental tasks

for guaranteeing the smooth running of processes within the Group in the future.

With the protections that are already deployed and those that are being implemented, we see no extraordinary dangers to B. Braun from IT risks at this time.

Financial risk

B. Braun operates internationally and is, therefore, exposed to currency risk, which it hedges using derivative financial instruments. The Group regularly hedges its net position from recognized receivables and payables against currency risks with foreign currency derivatives. In individual instances, we employ layered hedging for expected payables that have not yet been recognized. Trading and management of derivative financial instruments are regulated by internal guidelines and are subject to continuous risk monitoring.

To manage liquidity risk, we maintain sufficient reserves of short- and long-term committed credit lines, including, in particular, a syndicated loan for € 700 million. There is also the risk of a possible deterioration in the payment behavior of our customers or public payers. Limited financing options can have a negative impact on liquidity and an individual customers' ability to pay. We currently see no elevated risk of default. However, the persistence of the pandemic, accompanied by the rising debt of individual countries, may lead to an increase in the default risk of individual customers, especially public ones. There is also a risk that our suppliers' liquidity situation could become strained and could, in the worst-case scenario, threaten their viability.

As part of development projects, costs were capitalized to some extent, which can lead to write-offs in the event of negative developments. This could impact the earnings situation of B. Braun. Development projects are, by nature, subject to higher risk, but substantial opportunities come with it.

OPPORTUNITIES

In addition to risk, B. Braun regularly identifies and assesses opportunities for the company. Opportunities can generally arise from the advancement of

medical standards or the launch of new products and services. Close dialog with our customers allows us to continue swiftly seizing opportunities and opening up new business prospects through innovation.

Opportunities from positive economic development

Economic conditions affect the development of B. Braun's business. Our statements on the future development of the Group are based on the expected macroeconomic environment as described in the forecast report. Should the global economy perform better than currently expected, our sales, earnings and financial position may exceed our forecasts.

Opportunities from growth

Increased capacity enables us to share in the growing demand for health care and medical technology products. New, ultra-modern production processes further improve our competitiveness. In addition, our comprehensive product range and our years of experience enable us to offer efficient solutions for our customers. Should the international health care industries develop at a faster rate than currently expected, this could have a positive impact on our sales, earnings and cash flow.

Opportunities from research and development

Our growth strategy is based on the development of new products and services as well as innovations for treatment concepts and processes. In close partnership with our customers and users, we work to bring new and improved treatments to market. If we are able to achieve a quicker time to market for our research and development projects than is currently expected, this too could positively affect our sales, earnings and cash flow.

Opportunities from digitalization

New possibilities for mass (bulk) data processing and analysis can affect our production and sales processes. The digitalization of production can open the door to further optimization and improve earnings. Opportunities also present themselves when modifying the way we interact with our customers: a more comprehensive and faster exchange of information about customer requirements and the solutions we offer, along with digital sales structures, can positively affect our sales, earnings and cash flow.

Opportunities from our international presence

The opening of additional health care markets to international medical technology companies, together with the trend toward privatization in the field of health care services, could present additional opportunities for B. Braun. Our international presence allows us to take part in these developments. This would lead to a sustained improvement in the B. Braun Group's future sales and earnings.

Opportunities from employees

The ideas of our employees today can be the innovations of tomorrow. Our employees are constantly collaborating with each other as well as with end users and patients. They bring our philosophy of Sharing Expertise to life, creating value for customers and businesses. During the pandemic in particular, our employees have shown how quickly and readily they can adapt to new situations. Our new corporate strategy, B. Braun – the next decade, builds on this high level of motivation, readiness and individual accountability as well as promoting digital skills and new programs for managers and employees. The successful implementation of this new strategy with the help of every employee can further improve B. Braun's competitiveness, leading to a positive impact on B. Braun's sales, earnings and cash flow.

OVERALL STATEMENT ON THE GROUP'S RISK AND OPPORTUNITY SITUATION

At present, there are no identifiable risks or dependencies that could threaten the viability of the B. Braun Group for the foreseeable future. The Group's net risk position rose slightly from the previous year due to the pandemic, however,

once again, no risks were identified that could jeopardize the company's continued existence. Even though the pandemic affected B. Braun in different areas, the reporting year has proved the resilience of B. Braun's business model. Our global presence, broad portfolio of products and services as well as the qualification and motivation of our employees have made stable growth possible in 2020. The pandemic will have a strong influence in 2021 and it must be assumed that our slightly elevated risk position will continue. In addition, there is a growing protectionist sentiment in parts of the world that can harm an international company like B. Braun. Ongoing geopolitical hot spots can also have a destabilizing effect. Volatility on foreign exchange markets may also continue to increase in 2021. While the risks on the procurement markets remain unchanged, IT risks may continue to rise and it should be assumed that advances in networking and digitalization, both on the user side as well as in production, could lead to an increase in these risks.

To the extent that it is possible and reasonable, we are insured against liability risks, natural disasters and other risks. To minimize the financial impact of cyber risks, B. Braun has taken out a cyber insurance policy that essentially covers risks such as losses from operating disruptions and third-party liability claims resulting from breaches of information security. Despite our extensive insurance coverage, obtaining full coverage for potential product liability risks is not feasible. In general, however, we are convinced that the ever-present market risks will not have a substantial negative impact on the B. Braun Group's performance. Alongside these market risks are significant opportunities that may help the company continue to succeed.

OUTLOOK

The statements made here on economic and company performance are forward-looking statements. Actual results may, therefore, be materially different (positively or negatively) from the expectations of future developments. Our forecasts contain all material events that were known at the time the Group Management Report was drafted and that could impact the business development of the B. Braun Group. Expectations are based in part on the macroeconomic and industry-specific developments described.

EXPECTED MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

Expected development of the global economy³

The coronavirus pandemic led to a global recession in 2020. The progression of the pandemic has been highly dynamic, characterized by significant heterogeneity between countries. The development of the global economy depends greatly on how the pandemic continues as well as on efficient containment measures, effective treatment methods and vaccines. If the number of new infections cannot be kept low, a considerably more prolonged state of vulnerability is expected. The impact the mutations of the coronavirus that have begun spreading since the start of the new year will have cannot yet be predicted at this time. Also likely to be decisive in the course of events is how uniform future growth will be around the world, so that the recovery of individual economies is not thwarted by a lack of demand for exports. With regard to production cut-backs, a scarcity of inputs could also prevent production. Monetary and fiscal policy are likely to provide stimulus. Many countries and central banks, especially the United States Federal Reserve and the European Central Bank, have enacted extensive measures.

In Germany, economic development over the course of 2021 will occur in two parts: Stabilization at a low level is expected at the start, followed by re-

covery. Overall, Germany's economy should resume growth, with 4.2 percent expected in 2021. This should bring GDP back to pre-pandemic levels in 2022 at the earliest. Unemployment will continue to rise in the coming months and will only begin slowly receding over the course of 2021. The world's poor foreign trade environment will continue to harm German exports in 2021.

Of the major economies in the eurozone, France, Italy and Spain were hit hardest by the pandemic and its economic effects. Recovery in 2021 appears possible but also depends on how the pandemic progresses and the restrictions on economic activ-

FORECASTED CHANGE IN GROSS DOMESTIC PRODUCT in %

	2020	2021
Europe	-7.0	4.7
France	-9.8	6.0
Germany	-5.0	4.2
Great Britain	-9.8	5.9
Italy	-10.6	5.2
Poland	-3.6	4.6
Russia	-4.1	2.8
Spain	-12.8	7.2
North America	-4.9	3.3
Canada	-7.1	5.2
USA	-4.3	3.1
Asia-Pacific	-2.2	6.9
China	1.9	8.2
India	-10.3	8.8
Indonesia	-1.5	6.1
Japan	-5.3	2.3
Malaysia	-6.0	7.8
Latin America	-8.1	3.6
Argentina	-11.8	4.9
Brazil	-5.8	2.8
Chile	-8.2	4.0
Mexico	-9.0	3.5
Africa and the Middle East	-3.6	3.1
Kenya	1.0	4.7
South Africa	-8.0	3.1

³ German Council of Economic Experts Economic Outlook for 2020 and 2021 and IMF World Economic Outlook, October 2020

ity that come with it. How much cross-border tourism will be possible and actually occurs is likely to be critical to development, since tourism is a major industry in some Member States. Europe is expected to resume growth in 2021 with 4.7 percent, nevertheless GDP at the end of the year is likely to be below pre-pandemic levels. An appreciable rise in unemployment is expected in the eurozone in the wake of the crisis, with the upward job market trend of recent years coming to an end for the time being. Development in the individual Member States should vary due to different levels of economic impact and existing institutional differences. For the eurozone overall, an annual unemployment rate of 9.3 percent is expected for 2021 compared to the 7.5 percent of 2019.

Russia is able to turn to extensive financial reserves in order to stabilize its economy, as its National Wealth Fund has accumulated around \$ 168 billion (as of May 1, 2020). For 2021, the Ministry of Economic Development is predicting an increase in GDP of 2.8 percent. Unemployment will remain high (5.7 percent on average in 2020). The Central Bank is expecting a decline in exports if oil prices and demand for fuels and raw materials continues to be low.

Despite the pandemic, the United States enjoyed considerable economic growth in the second half of 2020 that is highly likely to extend far into 2021. An increase in GDP of 2.3 percent is predicted for Q1 2021, with GDP likely returning to the pre-pandemic level at the end of the year. Money is being invested in the expansion of broadband Internet, especially 5G, as well as in business networks, server farms, and computer hardware and software. Industry 4.0 solutions in particular are in high demand. Government spending is expected to rise, first to directly contain the crisis and then to boost economic activity in the market, with targeted spending on expanded health protection and on infrastructure. The CARES Act has already disbursed \$ 25 billion for the construction of hospitals, social services, nursing homes, mass accommodations, housing, airports, railways, bridges and roads. The new administration will begin moving the country out of the age of fossil fuels and laying the foundation for decarbonizing transportation, energy and industry. This means extensive investing in green structural transformation is inevitable. With regard

to trade policy, the United States is expected to resume making a stronger contribution to the international trade system.

After economic performance in the Asia-Pacific region shrank in 2020 for the first time in 60 years due to the pandemic, growth of 6.9 percent is expected in 2021. China emerged invigorated from the pandemic and was able to further expand its global position. This can be traced back to an intensive pandemic response and stimulus measures such as a reduction in social security taxes for businesses as well as investments in infrastructure. China's economy is expected to grow 8.2 percent in 2021. The nation continues to be attractive to foreign investors. Chinese exports increased substantially in the final months of 2020 and will continue to rise in 2021, especially medical products (masks, disinfectants) and electronics, including computers and home office equipment. India's economy shrank for the first time in decades due to the pandemic. The government attempted to counter with stimulus measures and reforms. The IMF predicts the country's economy will grow 8.8 percent in 2021. However, the fiscal impact of the pandemic has been enormous, with India's debt-to-GDP ratio rising to just above 90 percent as a result. The vast majority of India's workers are in the informal sector, meaning they are not covered by social programs. Neither government aid nor savings can compensate for a lack of income. Japan's economy should recover slightly in 2021, growing by 2.3 percent, though a return to the pre-pandemic level is only expected in two to three years due to new waves of coronavirus that have also struck here. While Japan's vital consumer market and investing will rise in 2021, nevertheless, growth stimuli are still rather weak. The government and the Bank of Japan will support economic growth through fiscal and monetary policy measures, which will further increase public debt.

The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) has projected an economic setback for the region from which the countries will only gradually recover. As a result of this development, many households are facing the threat of poverty. Brazil's government was able to cushion the blow of the pandemic to a degree with a comprehensive aid package, which will somewhat slow its recovery in 2021 compared to the rest of

the region. The extra government spending increased gross public debt, which will severely limit the government's room to maneuver in 2021 and 2022. Unemployment will remain high. Mexico's government, when compared to other countries, has been extremely cautious in its support of the economy. Medium-sized and large enterprises must get by without tax relief, emergency loans or compensation for reduced working hours. Accordingly, unemployment has risen. The depreciation of the Mexican peso has also made foreign goods more expensive. Argentina's economy will recover slightly from its low level in 2021. Extensive investments are likely to continue to be withheld given the continued weak business sentiment and high interest rates, while inflation will impact consumer spending.

Africa is a promising continent, with some countries experiencing above-average growth rates. The pandemic, however, thrust Africa into a recession in 2020 and only a marginal recovery is predicted in 2021. A deep plunge in consumer spending and a lack of liquidity for businesses are straining economic growth. Lower oil prices will lower import costs while a general drop in prices for raw materials and precious metals will have a negative impact. The countries of the Middle East are expected to see a recovery in their economic situation in 2021. Expansion is expected in the larger national economies in particular. These predictions are based on reforms, increasing investments, a stable tourism industry and reduced political risks in the countries in question. However, the growth outlook of smaller countries in the region is uncertain, since business and consumer confidence depends on reform efforts in these locations. The weakness of the banking industry and high public debt also have a negative effect on the economy of these countries. Bilateral trade agreements and political initiatives to resolve current conflicts could provide stimulus.

Expected development of the health care industry

The global health care industry will continue to expand in the coming years due to a growing and aging population, the rise in chronic diseases, the expansion of the necessary infrastructure, improvement in preventive care models, higher incomes from the growth of the middle class in developing countries, and the expansion of health care systems

and the markets arising from them. Health care spending is expected to increase 5 percent each year through to 2023. The Middle East, Africa and Asia in particular are expected to see increases exceeding 7 percent. Global health care spending as a percentage of GDP through to 2023 is likely to be around 10.2 percent, reflecting both economic improvements and cost containment efforts from health care systems. Spending per capita is likely to continue to be unevenly distributed, ranging from \$ 12,300 in the United States to just \$ 45 in Pakistan in 2023. Efforts to close this gap will be made difficult by higher population growth in many developing countries, but future innovations—especially in the digital arena—should provide relief: cloud computing solutions, for example, offer high flexibility as well as mobility, and help doctors with patient care. AI can improve the accuracy of diagnoses and the effectiveness of treatments. Robots help doctors perform complex surgical procedures with greater precision and flexibility. Sensors on wearable devices can monitor the status of patients and develop algorithms for determining treatment recommendations. Blockchain systems use digital records of transactions to monitor and track medical products along the supply chain. At the center of the latest technologies for the health sector is the Internet of medical things (IoMT), a networked infrastructure of medical devices, applications and health care systems. The IoMT contributes to better treatment outcomes by connecting people (patients, nurses and hospital staff), data (patient or service data), processes (service provision and patient support) and enablers (sensors and networked medical devices) together.

Business expectations in the German health care industry have greatly improved since the negative outlook from early summer 2020. Businesses in this industry are looking to the future with greater confidence overall than those in the general economy, but they continue to see themselves dependent on how the pandemic progresses. The medical technology industry's expectations for 2021 in particular depend on the situation in ICUs and the resumption of elective surgeries in hospitals. The pharmaceutical industry's expectations also remain low compared to previous years. Aside from general economic conditions caused by the pandemic, the lack of skilled labor is considered the greatest risk. Concern about qualified personnel is still more pro-

nounced among businesses in the health care industry than in the overall economy. Despite improved expectations on exports by medical technology and pharmaceutical companies for 2021, many companies are planning on reduced investment budgets.

Europe's health care industry will be dominated by digital transformation in the coming years, with the electronic health record being a central theme. This has already been introduced by most Member States of the European Union or is currently in the introduction stage. The next step will be to facilitate the exchange of data across national borders. With this integration, EU citizens will be able to have doctors in other European countries view their records and get electronic prescriptions from their home country filled. Uniform data structures also facilitate collaboration in research and development as well as in fighting disease. France seeks to reduce its dependence on the import of strategic products. Its government also passed legislation on health care reform to provide higher pay in the health services and spending to upgrade hospitals. In the coming years, it will seek to digitalize its health care industry. The state is providing not only the framework for interoperability, security and ethics of digital services but also basic platforms and instruments. Accordingly, the market potential for digital health is high. New and upgraded hospitals will also provide business opportunities in the United Kingdom's medical technology area in the coming years. Sales in Poland's medical technology market should continue to rise. Polish manufacturers cover only a small portion of domestic demand; the need for imports is high. Hospitals could benefit from EU funding: While some of them are receiving money to purchase new medical technology, others are getting financing for extensive expansions and upgrades, including new equipment. Spain's health care industry should also become more modern and more digital. Thousands of COVID-19 cases among medical personnel led to discussions on the increased use of telemedicine, however, how to finance the necessary government spending could be a problem.

The health care industry in Russia will benefit from the pandemic, since digital technologies will be implemented faster. This applies to remote diagnostics

as well as the online OTC drug trade, which has now cleared the legal hurdles and was launched in July 2020. It is conceivable that the government will invest more money in medical care in order to improve basic medical services by 2024. This should involve the upgrading of central hospitals, health clinics and urgent care centers. Back in December 2019, an additional € 7 billion was earmarked for the procurement of medical equipment and ambulances through to 2024. Work on the national Health Care Project is continuing despite the pandemic, with special focus on oncology: By 2024, around € 12.5 billion should be available for the construction of oncology centers, among other projects. With its strategy for developing the manufacturing industry through 2035 that it enacted in April 2020, the government seeks to quadruple the production volume of medical technology to around € 4.1 billion. The fields of telemedicine, biomechanics (including exoskeletons), robots and 3D printing should also see development. This strategy is intended to increase production value by a factor of 3.5. Exports should increase more than tenfold, to \$ 1 billion. The market share of Russia's approximately 400 medical technology manufacturers should grow from today's 23 percent to 40 percent by 2030.

Industry experts predict constant, modest market growth in the United States in the coming years, driven by the gradual aging of the population and the high costs of health care in the country. In its industry outlook from Q3 2020, Fitch Solutions assumes that the US medical device market will grow an average of 3.6 percent each year from 2019 to 2024, to \$ 208 billion. In addition to COVID-19 diagnostics, key drivers of sales for device manufacturers will be treatments that were put on hold due to the pandemic, including treatments for obesity, cardiovascular and neurological diseases, and acute and chronic diseases that are becoming more frequent due to the gradual aging of the population. Devices for medical imaging, particularly for computer tomography and X-ray applications, as well as for measuring blood glucose and treating acute conditions such as cancer, heart attack and stroke are likely to be back in high demand soon. In contrast, manufacturers of orthopedic products will need to hold out longer. Devices for medical care in the home, such as mobile dialysis machines and

heart rate monitors, are also becoming increasingly important. Spending is rising the most in the home care sector in terms of percentage. At around one third, hospitals account for the largest share of costs in the US health care sector. The potential for eHealth solutions is considerable, with demand focused on innovative technologies that increase treatment efficiency and lead to reduced costs in the long term. This is why surgical robot systems are seeing increased use. Shortly after the pandemic arrived in the United States, market research company Arizton predicted that the US market for telemedicine would grow about 78 percent in 2020 to \$ 9.5 billion, then by just under 30 percent on average every year until 2025, to \$ 25.6 billion. Heavy investment in cutting-edge AI research is likely to have good opportunities for growth in the coming years.

The population in the Asia-Pacific region can and wants to spend more on their health, meaning demand for health services and products will grow dramatically in the next few years. Following the stress test from the outbreak of the pandemic, China's health care industry is expected to see greater digitalization. As an integral part of its long-term "Healthy China 2030" strategy, China is looking to continue to advance the use of big data and AI in its health care industry. Experts believe that even the implementation of the electronic health record, which has thus far encountered difficulty, and national databases, are likely to make considerable progress in the next three to five years. India's government has committed to creating a favorable business environment in the coming years in order to position health care as one of its strongest industries in terms of sales and employment. By 2025, it wants to invest a total of € 200 billion in public hospital infrastructure to open 150,000 primary care centers and 200 specialized hospitals. The market for digital health could grow from \$ 1.5 billion today to up to \$ 11 billion by 2025. Local industry manufacturers in Japan are investing in the development of cutting-edge technology, such as digital health solutions, AI-based medicine and robotics technology. Development of pharmaceutical products is vigorously driven, especially the research and use of regenerative medicine and biotechnology. In the countries of the ASEAN Economic Community, such as Indonesia and Ma-

laysia, Business Monitor International predicts the market for medical technology will grow by just under 10 percent each year, reaching \$ 8.5 billion by 2021. The highest demand here comes from public institutions, which ensure basic care in most of the member states.

In Latin America, various factors are contributing to the growth of the health care industry. For one, the region has the fastest-aging population in the world, with 80 percent of the population over 60 suffering from at least one chronic illness. The people in Latin America are also the most obese in the world. This excessive weight, in turn, promotes various diseases, such as high blood pressure, diabetes and gout. Some countries are already attempting to combat obesity with laws promoting health, however, experts believe the health care systems of the region will have to battle the consequences of an obese population for at least 30 years. Lastly, Latin America's health care is also in need of investment.

Health care in Africa will still have an enormous amount of catching up to do in the coming years. In particular, the investment gap in the public health care sector needs to be closed in order to compete with private but expensive facilities with excellent, state-of-the-art equipment. The Africa Business Coalition for Health (ABCHealth), formed in February 2019, has set the goal of assisting private health care companies with their commitment in Africa. Private investments should promote the areas of drug production, medical training and digital technologies for the health sector, above all. Even though it can be assumed that Kenya's health care industry will grow, capital for investments in private and public stakeholders is becoming more scarce in the wake of the pandemic. As before, how much capital the major donor organizations give will play a decisive role. The countries of the Middle East have set the goal of establishing first-class medical care through the digitalization of their health care industries. The UAE seeks to set up one of the most distinguished health care centers in the world. To increase the efficiency of the health care system for the long term, spending should be reigned in and existing funds should be used more efficiently. Digital solutions and AI are seeing increased use. The key goals of the Innovation Health Care Strategy are to provide advanced, technolo-

gy-based health and treatment services such as robotic surgery and telemedicine, to develop the pharmaceutical and biotechnology industries, and to develop medical research on treating diseases such as diabetes and obesity.

BUSINESS AND EARNINGS OUTLOOK

For FY 2021, we continue to expect negative effects from the pandemic on the sales and earnings of the B. Braun Group early in the year. We expect a gradual recovery as the year progresses, though this depends on the pandemic being successfully contained worldwide. In terms of this recovery over the course of the year, we believe a growth rate at constant exchange rates of 4 to 6 percent is possible. The expected continued strength of the euro, however, will again have a negative impact on growth in the reporting currency, so we expect a growth rate in euros of 2 to 4 percent.

The new divisional structure established as part of our strategy B. Braun — the next decade is applicable as of January 1, 2020. Essentially, the divisions B. Braun Avitum and Out Patient Market are being consolidated into the new division Avitum, which will focus on chronic patient care and the outpatient market. Responsibility for the basic care product portfolio will be assigned to the Hospital Care division.

We expect to see moderate growth in the reporting currency for the Hospital Care division in 2021; in Russia, the United States and Latin America especially, we predict negative currency effects. Sales in Europe will increase slightly in the 2021 reporting year due to demand brought about by the pandemic. Sales increases of single use products for hospital use and nutrition solutions should be possible in Germany. The main driver of growth for Hospital Care is North America, where we expect a rapid recovery in demand for product groups heavily impacted by the pandemic, such as for regional anesthesia. We also continue to see good opportunities for automated infusion systems and patient-specific nutrition solutions. In the Asia-Pacific region, we expect business activity to recover in the latter half of the year. The forecast for Latin America is diffi-

cult to determine due to the uncertain economic situation. Moderate sales increases in local currencies are possible. We see better market opportunities in the Africa and Middle East region.

Following a weak 2020 due to the pandemic, we predict growth for the Aesculap division, though we will not reach our pre-pandemic level in 2021, as we do not expect recovery until the second half of the year. A lower number of elective surgeries will harm virtually the entire Aesculap portfolio. Nevertheless, we expect an increase in sales in Germany and Europe. In North America, sales will also recover gradually and help contribute to the division's growth. Recovery in the Asia-Pacific region may be hampered by China's new public procurement procedure. Due to a decline in project business in Africa and the Middle East, we expect little stimulus for growth from this region.

For the Avitum division, we predict good sales growth at constant exchange rates. The expected continued weakening of the Russian ruble and the Latin American currencies will substantially reduce growth in the reporting currency. Our provider business will be able to grow well following the portfolio optimization in 2020. However, the pandemic is negatively affecting patient figures, since mortality is increasing. The extensive hygiene and protective measures are also putting a strain on our cost structure. For our chronic dialysis product portfolio, we forecast significant stimulus for growth; we are expecting recovery effects for water treatment systems in particular. We also expect a recovery in the growth markets of China and Russia, which are important for the division. The increased demand for acute dialysis products and PPE caused by the pandemic will also continue at least in the first half of 2021. In the areas of infection prevention and wound care, we are expecting dynamic growth that will have a positive impact on the development of the Avitum division.

We expect our performance indicators of interim profit and EBIT to each end up somewhere between € 500 million and € 550 million (2020: interim profit of € 495.0 million and EBIT of € 481.8 million) at constant exchange rates. We forecast EBITDA to grow to € 1,110 million to € 1,140 million at con-

stant exchange rates (2020: € 1,103.2 million). An EBITDA margin of 15 percent of sales is the goal. Achieving our earnings goals will depend on how the pandemic progresses. In addition to a better product mix due to the growth of the Aesculap portfolio, our more optimized production, sustainable cost management and the digitalization of some of our sales processes will add to our profitability. The strategic goal in connection with our proactive working capital management, at constant exchange rates, is for CIW to be 16 weeks (2020: 16.7 weeks) and for DSO to largely remain in 2021 at the low level of this reporting year (61 days).

EXPECTED FINANCIAL POSITION

B. Braun will continue its solid financial policy of recent years in the future, as well. We are striving for an equity ratio above 38 percent for 2021 while maintaining our current dividend policy.

The financing volume for long-term maturities will be € 310 million for 2021 and a total of € 580 million in the following year. Due to our longstanding banking relationships and the sustained earning power of B. Braun, we do not expect any significant risks in connection with the upcoming financing measures. Should there be a departure from the expansive monetary policy currently prevailing, a higher interest rate may make refinancing more expensive for B. Braun. An intensification of geopolitical conflicts or a prolongation of the pandemic with continually changing mutations can elevate uncertainty in the capital markets, which may increase risk premiums. However, we do not consider this a substantial risk to B. Braun at this time. The goal is to finance the investments in tangible assets

planned for the coming years with the current cash flow.

With the Group-wide cash pooling system, we will ensure optimal financing within the Group in the future, as well. Furthermore, Group-wide inventory and receivable management projects continue to positively support the need for financing.

OVERALL STATEMENT ON THE OUTLOOK FOR THE GROUP

Given the assumptions presented with regard to the performance of the global economy and the health care market, we expect positive sales and earnings for the B. Braun Group in 2021. Should the pandemic persist with restrictions throughout the entire year, this may negatively affect our expected increases in sales and earnings. As soon as the pandemic has been essentially overcome, we expect continued growth even beyond FY 2021. The reporting year has shown that B. Braun is highly resistant to crisis, consistently achieving stable sales and earnings. Based on this, we will secure the desired growth through extensive research and development activities as well as through investments in existing and new plants. The use of new technology and the continuous improvement of internal processes will increase our competitiveness and, ultimately, our profitability. With our current portfolio as well as new, digital product and service solutions, we will be able to continue to protect and improve the health of people around the world.

Melsungen, March 3, 2021

The Management Board